

CITY OF DETROIT, MICHIGAN
General Purpose Financial Statements
Annual Financial Report
For the Fiscal Year Ended
June 30, 1999



City of Detroit, Michigan
General Purpose Financial Statements
Annual Financial Report

For the Fiscal Year Ended June 30, 1999

Dennis W. Archer

Mayor

Prepared by the Finance Department

J. Edward Hannan

Director of Finance



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*“We
hope for
better things”*

*“It shall
rise again
from the ashes”*

**FOUNDED 1701
INCORPORATED 1806
AREA (Square Miles) 137.9
POPULATION 1,027,974**

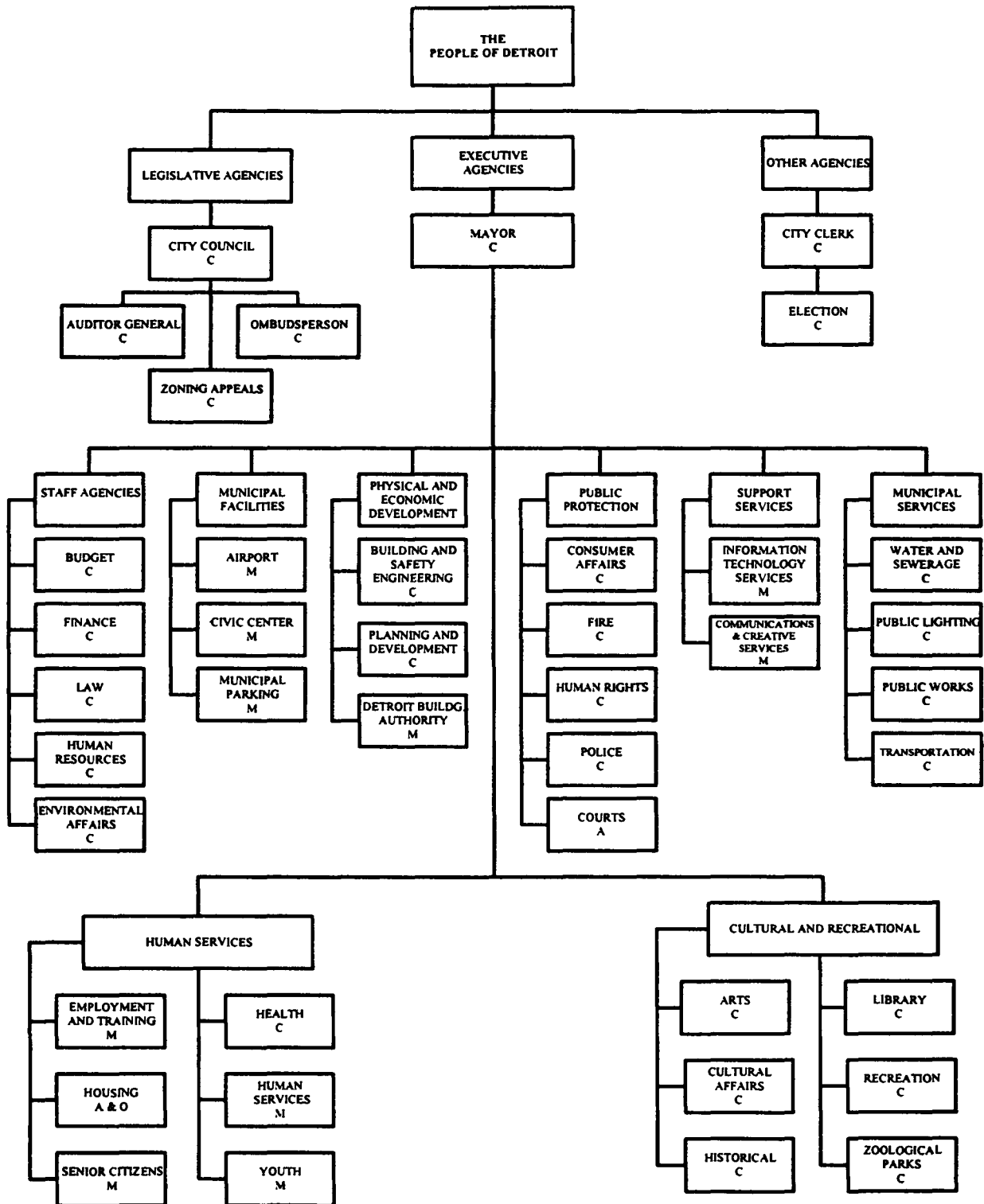
INTRODUCTORY

The Introductory Section contains:

- A. City of Detroit Organizational Chart
- B. List of Principal Officials
- C. Letter of Transmittal
- D. Auditor General Letter

CITY OF DETROIT ORGANIZATION CHART

June 30, 1999



ESTABLISHED BY:
A- STATE ACT
C- CITY CHARTER
M- MAYOR'S EXECUTIVE
ORGANIZATION PLAN
O- CITY ORDINANCE

CITY OF DETROIT

ELECTED OFFICIALS

Mayor

DENNIS W. ARCHER

City Council

GIL HILL
President

MARYANN MAHAFFEY
President ProTem

CLYDE CLEVELAND

KENNETH V. COCKREL, JR.

SHEILA M. COCKREL

KAY EVERETT

NICHOLAS HOOD, III

BRENDA M. SCOTT

ALBERTA TINSLEY-TALABI

City Clerk

JACKIE L. CURRIE

OTHER EXECUTIVE BRANCH APPOINTED OFFICIALS

FREMAN HENDRIX
Deputy Mayor

NETTIE SEABROOKS
Chief of Staff

J. EDWARD HANNAN
Finance Director

ANDREA MORROW, CPA
Deputy Finance Director



March 22, 2000

THE HONORABLE MAYOR AND CITY COUNCIL:

In accordance with Section 4-205 of the City Charter, submitted herewith is the General Purpose Financial Statements (GPFS) of the City of Detroit (the City) for the fiscal year ended June 30, 1999 and the Report of Independent Public Accountants thereon. The GPFS is prepared in accordance with pronouncements of the Governmental Accounting Standards Board (GASB) and the State of Michigan Treasury Department. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation including all disclosures, rests with the City's Finance Department. It is presented in a manner designed to fairly set forth the financial position and results of operations of the City, and that all disclosures necessary to enable the reader to gain a comprehensive understanding of the City's financial affairs have been provided. We believe that the data, as presented, is accurate in all material respects.

The GPFS contains Combined Financial Statements of the City. Its purpose is to give a summary review of the City's financial position and operation for the year ended June 30, 1999 to those readers who desire a brief overview of the City's financial status. This GPFS is a companion document to the City's Comprehensive Annual Financial Report, which includes financial statements for each fund, component unit, and account group of the City and is available upon request.

GOVERNMENTAL STRUCTURE

The City, incorporated in 1806, is a home rule city under state law. The organization of the City is separated into two branches, the executive branch, which is headed by the Mayor and the legislative branch, which is composed of the City Council and its agencies. Other agencies (City Clerk and Election) are not classified under the two branches. Additionally, the City Charter provides for an independent City Clerk who serves as clerk to the City Council and chairperson to the Election Commission. The City provides the following services: public protection, public works, cultural and recreational, civic center, health, physical and economic development, public lighting, transportation, water supply and sewage disposal, human services (including housing), airport and parking.

The elective officers of the City are the Mayor, the City Clerk, and the nine members of the City Council, which have been elected at-large since 1918. The terms of all elective City officers is four years and commences at noon on the first day of January after the regular general election. The last City general election occurred in November 1997.

The City Charter grants the Mayor broad managerial powers including the authority to appoint most department directors and deputy directors. The responsibility for implementation of most programs, services, activities, and day-to-day operations are delegated by Charter to the executive branch. Many material decisions, including budget appropriations, procurement of goods and services, and certain policy matters, must be approved by the City Council. The Mayor has veto power over Council decisions, but may be overridden by a two-thirds vote of the members of the City Council.

THE REPORTING ENTITY

This GPFS includes all of the funds and account groups of the primary government as well as all of its component units. Various potential component units were evaluated to determine whether they should be included in the City's reporting entity in accordance with GASB Statement Number 14 - "The Financial Reporting Entity".

The following criteria were utilized to determine whether a component unit should be part of the entity of the City (primary government): selection of governing body, City's ability to impose its will, the potential benefit or financial burden that can be imposed on the City, and whether the financial statements of the City would be misleading if data from the component unit was not included. Based on this criteria, the Detroit Building Authority, although legally a separate entity, is considered a blended component unit since its financial data is required to be blended with the City to present the financial results of the primary government.

In addition, some legally separate entities' relationships with the City are such that they should be reported along with the City's financial data, but not blended. Such entities are considered as discrete component units and their financial data is presented separately from the primary government. The entities that are discretely presented are the Downtown Development Authority, Economic Development Corporation, Local Development Finance Authority, Museum of African American History, Tax Increment Finance Authority, Detroit Transportation Corporation, and the Greater Detroit Resource Recovery Authority. Due to a reorganization of the elected Board by the State of Michigan, The School District of the City of Detroit is now included as a component of the entity for the first time this fiscal year.

ECONOMIC CONDITION AND OUTLOOK

Detroit is located in Wayne County, which is in the southeastern section of the Lower Peninsula. The City covers approximately 140 square miles and is the largest city in the State of Michigan, accounting for nearly half the population of Wayne County. According to the U.S. Department of Commerce's 1998 National Data Book, the City of Detroit is now the nation's tenth largest city, and is the center of the nation's eighth largest consolidated metropolitan statistical area (CMSA). The City is internationally known for its automobile manufacturing and trade. The southeastern border of the City is an international waterway composed of the Detroit and St. Clair Rivers, which are linked via the St. Lawrence Seaway to more than 200 seaports around the world.

The decennial census of population is an important factor in the determination of amounts granted under various Federal and State programs. In addition, certain authority is granted to the City of Detroit by State law based upon population thresholds. In fact, until recently, the City's authority to levy the Utility Users Tax and the current level of Municipal Tax was dependent on a census population of 1,000,000. While this taxing authority was recently changed to cities with a population of 750,000 or more, other statutes granting certain administrative authority remain with a population benchmark set at 1,000,000. The U.S. Census Bureau released a 1996 Detroit population estimate of 1,000,272, a 2.7% decline from 1990. However, Detroit has experienced dynamic growth in economic and real estate development in the past few years and management is taking a proactive approach to assure that all residents are counted in the 2000 census.

Detroit's 1990 racial distribution was 76 percent Black, 22 percent White, and approximately 3 Percent Other, compared to a statewide distribution of 83 percent White, 14 percent Black, and approximately 2 percent Other Races. The City is the commercial capital of the state and a major economic and industrial center of this nation.

During the recession period of 1990-1992 the unemployment rate of the city peaked at 17 percent. At the end of 1993 the economy began to rebound and the City has experienced consistent annual growth since then. Employment continues to remain strong with an estimated employed civilian labor force of 394,025 and a 1998 yearly unemployment rate average of 7.2 percent, compared to a 3.9 percent statewide rate, and a national average of 4.5 percent.

The City's educational and medical institutions continue to grow in size and recognition. Wayne State University, one of the nation's largest urban educational institutions, as well as the University of Detroit-Mercy, the largest independent university in Michigan, are located in Detroit. There are 63 high schools, 11 post-secondary education training institutions, and 44 vocational education training institutions in the City.

Under the provisions of State Act 374 of 1996, all operating activities of the Thirty-Sixth District Court previously controlled by the State of Michigan were transferred to the City of Detroit. The City, in turn, challenged the constitutionality of this transfer under the provisions of the "Headlee Amendment," and is currently in litigation seeking a resolution of the claim.

Compuware Corporation plans to construct a sixteen-story complex estimated at \$800 million in the downtown area to be known as Campus Martius. Several thousand employees will move into this new location in phases. The groundbreaking for the 900,000 square foot complex is in the spring of 2000. Compuware is also joining with General Motors Corporation to construct a \$400 million world center of technology east of the Renaissance Center on the downtown riverfront. An additional, 3,000 Compuware employees will move into this center. This project will enhance the riverfront, and is expected to attract development for hotels, shops, and restaurants. Numerous other development projects are underway in Detroit, Examples include:

- The General Motors Headquarters in the Renaissance Center started a one-half billion-dollar refurbishing
- MGM Grand opened its 75,000 square feet, \$220 million temporary casino in August of 1999. The Motor City Casino opened its doors in December; Greektown Casino is expected to open in early 2000. It is estimated that the three casinos represent 7,700 new jobs for the area and an estimated \$181 million in additional taxes for the City of Detroit, and State of Michigan.
- Ground breaking for the new Comerica Park Baseball Stadium in the Foxtown area of Detroit occurred in fiscal 1998. This project is part of a \$505 million development including two stadiums, one for the Tigers baseball team and one for the Lions football team. Comerica Park will be ready for baseball opening day in the spring of 2000.
- Bridgewater Interiors completed construction of its new facility located in both the Federal Empowerment Zone and the state-designated Renaissance Zone. Located at 4617 Fort Street, Bridgewater is expected to employ over 200 people. The Detroit Empowerment Zone is 18.35 square miles of the city that include some of our most distressed neighborhoods. President Clinton established the zone in 1994, and it received \$100 million for a number of housing, economic development, and social programs.
- A \$25 million expansion of the Detroit Science Center to triple its size is underway. Over \$11 million in corporate, foundation, and individual gifts have been raised to fund the project. The State of Michigan committed \$5 million for the project.
- The Municipal Parking Department has begun construction plans for a 1,100-vehicle parking structure on the Hudson's downtown site with the assistance of the Detroit Building Authority. The Hudson site garage will be four stories deep, and have several city blocks of buildings around it. Compuware intends to construct its own company garage to accommodate its 10,000-member workforce. Just north of Cobo Hall the \$9 million 650 space Millennium Garage is under construction, and the Grand Circus Park underground garage is being renovated.

In upholding our vision to affirm Detroit as a safe city, provide essential, efficient and user-friendly services, restore financial solvency, and obtain business expansion and growth, the following additional accomplishments have been realized:

- For the fifth consecutive year, the City of Detroit ("the City") realized a modest General Fund budget surplus (\$2 million for 1999, \$13 million for 1998, \$12 million for 1997, \$18 million for 1996 and \$20 million for 1995).
- The City Budget Department again received the "Government Finance Officers Association Distinguished Budget Award" for fiscal years 1997, 1998 and 1999 for the Executive Budget Summary prepared for those years - acknowledging compliance with national standards of budget presentations.

- The Finance and Information Technology Departments have continued development and implementation of the Detroit Resource Management System (DRMS), led by IBM to install Oracle-based applications for an enterprise-wide financial and human resource management system. Over 1,000 employees have received training in the four core financial modules: Accounts Payable, Accounts Receivable, General Ledger, and Purchasing. These modules were in production as of April 5, 1999. Additional modules are in development and expect to be implemented over the next year. The system gives the City modern computerized tools to establish efficient business processes, provide up-to-date on-line reports, and will lead to improved services to both external and internal customers. Since going live the system has caused temporary delays that are normal while “bugs” were being removed from the new installation.
- The Employment and Training Department established two of four planned one-stop employment and training service centers. Many partner agencies including contractors have moved in and are providing services. Partner agencies include Michigan Jobs Commission Rehabilitation Services, Family Independence Agency, Michigan Jobs Commission Veterans Counselors, Jobs Corps, and Child Care Coordinating Council of Detroit/Wayne County. Contractors located at the one stop service centers include Detroit’s Work Place, SER Metro, Detroit Employment connection, Ross Learning, Marygrove College, Detroit Entrepreneurship Institute, Angel Land Day Care, and etc.
- The Department of Environmental Affairs was successful in obtaining an American Heritage Rivers designation for the Detroit River. With this Designation, the area along the river will be eligible to receive focused federal support leading to a restoration of this unique waterway. Also in partnership with the Mayor’s Office, the Department conducted a Conference to present the findings of the Community Reinvestment Strategy Initiative and to present and distribute the Brownfield Redevelopment tools developed with funds from the U.S. Environmental Protection Agency Brownfields Pilot Grant. The DEA participated in drafting the Clean Michigan Bond legislation favorable to the City’s brownfield redevelopment efforts, and facilitated its passage. The Clean Michigan Bond legislation will facilitate the receipt of additional funds for brownfield redevelopment in the City of Detroit.
- The Professional Grounds Management Society of America recently presented the Recreation Department with its “Grand Award” in the Park, Recreation, and Athletic Field category for the design and maintenance of the Chene Park landscaping.
- The Director of the Water and Sewerage Department Steve Gordon was elected president of the American Water works Association, a 56,000-member organization dedicated to providing safe drinking water.
- The Detroit Halloween Angel’s Night volunteers received the City Livability Award from the United States Conference of Mayors. This award honors communities that improve the quality of life for their residence.
- The City has successfully contracted with snow removal companies to plow residential streets when snow levels reach six inches deep. This is the first time in the 298-year history that residential streets will be plowed.
- Detroit has the largest “Voter Registration District” in the State and has implemented a new computerized voting system.
- For the first time in at least 20 years, a foreign luxury cruise ship is taking passengers in Detroit. At least six cruise ships are expected to be operating in the Great Lakes by next year.
- The Detroit/Wayne County Port Authority received the St. Lawrence Seaway Development Corporation’s Pacesetters Award this fiscal year to recognize the efforts in the transportation, manufacturing, shipping, import/export, tourism and related maritime industries.

- Legislation to maintain the City's state revenue sharing at the current level of \$330 million annually for eight years and lower Detroit's income tax rate by 33% was approved by State lawmakers in December 1998. The residential rate will be lowered by one tenth of a percentage point in each of the next ten years, while the non-resident rate will decrease by .5 of a percent over the same period. After the ten-year period, the residential rate will be 2% (compared to 3% currently) and the non-residential rate will be 1% (compared to 1.5% currently).
- Since January 1, 1994, the City has achieved ten positive adjustments in the credit ratings on its General Obligation bonds. Current ratings are "Baa1" from Moody's Investors Services, "A-" from Standard & Poor's, and "A-" from Fitch IBCA.

Over the past several years the City of Detroit has experienced an economic recovery along with the upswing in the U.S. economy. Individuals, corporations, and government continue to work together to "leverage" that opportunity for the City of Detroit. The numerous developments and improvements are the result of those efforts. Constant economic growth and development has caused a demand for additional convention facilities. The Downtown Development Authority has promised at least \$71 million in improvements to the existing downtown infrastructure.

FINANCIAL INFORMATION

Accounting System and Budgetary Control

The City's accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The accounting and financial reporting policies of the City included in this GPFS conform to generally accepted accounting principles (GAAP) and reporting standards as promulgated by the GASB. The financial statements of the General, Special Revenue, Debt Service, Capital Projects and Expendable Trust Funds are prepared on the modified accrual basis of accounting, whereby revenues are recorded when they become both measurable and available to finance expenditures of the current period. Expenditures are reported when goods and services are received and actual liabilities are incurred and become payable in the current period. The financial statements of the Enterprise and Pension Funds are prepared on the accrual basis of accounting whereby revenues are reported at the time they are earned and expenses are recorded when liabilities are incurred. Encumbrance accounting, under which purchase orders, contracts, approved requisitions and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation, is employed in the General, Special Revenue and Capital Projects Funds. Encumbrances are treated as a reservation of fund balance for these Funds.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the evaluation of costs and benefits requires estimates and judgments by management.

Budgetary control is maintained at the appropriation level by the encumbrance of specific dollar amounts prior to the release of specific purchase orders and contracts to vendors. If these purchase orders or contracts result in an overrun of an appropriation balance, they are not released until additional appropriations are made available.

General-operation type purchase orders are controlled by a rejection of payments if they would result in an overrun of the appropriation. Open encumbrances are reported as reservations of fund balance in the General and Library Funds.

GENERAL GOVERNMENTAL FUNCTIONS

General governmental revenues of the Primary Government, excluding other financing sources and revenues of the Trust Funds for general governmental functions, totaled \$1.7 billion in fiscal year 1999, an increase

of 2.46% over fiscal year 1998. Revenues from various sources for fiscal year 1999 and the increase (decrease) from the prior year are shown in the following tabulation:

Revenue Source	Amount	Percent of Total	Increase (Decrease) Over 1998 Actual	
			Amount	Percent
(In Thousands of Dollars)				
Property Taxes	\$ 213,937	12.87%	\$ 4,433	2.12%
Municipal Income Taxes	370,417	22.29	8,813	2.44
Utility Users' Tax	50,924	3.06	779	1.55
Other Taxes, Interest and Penalties ...	18,600	1.12	624	3.47
Licenses, Permits and Inspection Charges	24,426	1.47	699	2.95
Shared Taxes and Grants	696,169	41.89	46,951	7.23
Ordinance Fines	20,032	1.21	147	0.74
Revenue from Use of Assets (including Investment Income)	39,487	2.38	(8,989)	(18.54)
Sales and Charges for Services	150,482	9.05	2,265	1.53
Other	77,414	4.66	(15,781)	(16.93)
Total	\$ 1,661,888	100.00%	\$ 39,941	

Revenues from various local taxes represented 39.34% of total governmental revenues. This source of funding increased by (\$14,699,000) from the previous year. The major factors contributing to this change were as follows: (1) Property tax revenues increased (\$4,483,000) due to an increase in property tax levies. Municipal income tax revenues increased by (\$8,813,000) due to continued economic growth in the city.

Revenues from Shared Taxes and Grants represented 41.89% of total governmental revenues. These revenues increased by (\$46,951,000) from the previous year. The major factors contributing to the change include: 1) General Fund-increased grant receipts (\$4,091,000), 2) Special Revenue Funds: a) Empowerment Zone federal grant revenues increased (\$8,336,000), b) Federal Employment and Training Funds increased funding in the DDS Work First/Edge Program (\$5,255,000) and the WTW Welfare Reform Program (\$4,329,000) c) Human Services Fund-Health and Human Services grants (\$6,233,000) d) Major and Local Street Funds increased by (\$2,635,000) mainly due to an increase of federal grants 3) Capital Projects Funds-Urban Renewal Fund (\$3,885,000) increased in federal grants for special housing programs.

The Revenue from use of assets decreased by \$8,989,000 due primarily to a decrease in investment earnings in the General Fund (\$9,070,000).

The "Other" revenue source decreased \$15,781,000. The General Fund's other revenues decreased \$6,070,000. Special Revenue Fund other revenues decreased \$8,526,000 primarily to decreases in the Human Services Fund (\$12,271,000) offset in part by an increase in other revenues in the Community Development Block Grant Fund (\$4,072,000).

Expenditures of the Primary Government, excluding other financing uses and Trust and Agency Funds, totaled \$1.7 billion in fiscal year 1999, an increase of 4.42% over fiscal year 1998. Increase or (decrease) in levels of expenditures for major functions of the City over the preceding year are shown in the following tabulation:

Function	Amount	Percent of Total	Increase (Decrease) Over 1998 Actual	
			Amount	Percent
(In Thousands of Dollars)				
Public Protection	\$ 502,980	29.43%	\$ (13,536)	(2.62)%
Health	140,777	8.24	(5,612)	(3.83)
Education	29,084	1.70	3,305	12.82
Recreation and Culture	65,077	3.81	(5,831)	(8.22)
Economic Development	83,907	4.91	16,442	24.37
Transportation	38,892	2.27	17,157	78.94
Housing Supply and Conditions	74,866	4.38	57	0.08
Physical Environment	242,809	14.21	(32,015)	(11.65)
Management	322,395	18.85	75,519	30.59
Capital Outlay	91,740	5.37	16,414	21.79
Debt Service	116,679	6.83	430	0.37
Total	\$ 1,709,206	100.00%	\$ 72,186	

Expenditures for Public Protection decreased \$13,536,000 due primarily to decreased expenditures in the General Fund for police protection (\$12,565,000) and fire services (\$5,466,000) offset by an increase in 36th District Court expenditures of (\$4,630,000).

Expenditures for Economic Development increased \$16,442,000 due primarily to increases in the Empowerment Zone Fund (Special Revenue Fund) (\$8,336,000) and the Federal Employment and Training Funds (Special Revenue Fund) DDS Work First/Edge Program (\$5,256,000) and the WTW Welfare Reform Program (\$4,329,000).

Expenditures for Physical Environment decreased by \$32,015,000 due primarily to decreases in the General Fund's Public works agency (\$31,167,000).

Expenditures for Transportation increased by \$17,157,000 due to increased in construction expenditures in the Major & Local Street Fund (Special Revenue Fund).

Management expenditures increased \$75,519,000 due primarily to increases in the General Funds' Law agency (\$3,750,000), Human Resources agency (\$4,814,000), Information Technology Services agency (\$11,505,000) and Non-Department activity (\$86,201,000) offset by decreases in the Election agency (\$4,119,000) and the Finance agency (\$26,778,000).

Capital outlay expenditures increased \$16,414,000 due primarily to increases in the General Capital Projects Fund for Planning and Development improvements (\$12,502,000) and the Urban Development Fund for Special Housing Programs (\$4,000,000).

FUND BALANCE OF GENERAL GOVERNMENT FUNDS

The General Fund recorded a surplus of \$1,656,000 for the year ended June 30, 1999. This compares to a surplus of \$13,380,000 for the prior year.

TAX VALUES AND LEVIES

Property tax collections in fiscal year 1999 were 89.71% of the adjusted tax levy, down 0.59% from the previous fiscal year. Cumulative collection ratios (reflecting collection of a given year's levy in all subsequent years) as of June 30, 1999, on net tax levies (after subsequent additions or deductions) for the last ten years are as follows (see Table 4):

Year Ending June 30,	Cumulative Collection Ratio to Adjusted Tax Levy	Year Ending June 30,	Cumulative Collection Ratio to Adjusted Tax Levy
1990.....	98.89%	1995.....	96.92%
1991.....	98.45	1996.....	96.52
1992.....	98.26	1997.....	95.71
1993.....	97.77	1998.....	93.77
1994.....	97.42	1999.....	89.71

Allocation of the property tax levy by purpose for fiscal year 1998 and the preceding two fiscal years is as follows (amounts per \$1,000/assessed value):

Purpose	1999	1998	1997
General Fund	20.000	20.000	20.000
Garbage Disposal — General (Act 127 of 1976).....	3.000	3.000	3.000
Debt Service	8.175	8.238	8.283
Total City	31.175	31.238	31.283
Library	2.640	2.640	2.640
Total	33.815	33.878	33.923

CAPITAL PROJECTS FUNDS

The Capital Projects Funds are comprised of the Capital Project Fund and the Urban Renewal Fund.

Proceeds of general obligation bond issues, designated grants, gifts and transfers used for the construction, acquisition, and renovation of capital facilities by the General Fund are accounted for in the Capital Projects Fund. Project costs are capitalized in the General Fixed Assets Account Group when substantially completed.

During the 1999 fiscal year, the City issued \$44.10 million of General Obligation Bonds to finance various capital projects of the City, including Neighborhood/Economic Development, Recreation-Park Development, improvements to the Detroit Institute of Arts, Police Department Facilities, Fire Department facilities, the City's Public Lighting System, Health Facilities, and the Zoo.

Authorized, but unissued, voter-approved bonds at June 30, 1999 totaled \$172.41 million.

The Urban Renewal Fund was established to account for the acquisition and site preparation of property for future development. The City and the Federal Government provide the financing of most projects. The Urban Renewal Fund had revenues and other financing sources of \$19.7 million with expenditures and other financing uses of \$19.6 million. Special Housing Programs (\$16.0 million) accounted for nearly 82% of outlays from this fund.

ENTERPRISE FUNDS

Enterprise Funds account for operations of governmental facilities operated in a manner similar to commercial enterprises where the intent is to recover, in whole or in part, through user charges, the costs or expenses (including depreciation) of providing goods or services to the general public on a continuing basis. The City's primary government enterprise operations are comprised of the Airport, Automobile Parking, Housing, Sewage Disposal, Transportation and Water Funds.

The Automobile Parking, Sewage Disposal and Water Funds had operating income before depreciation, while the Airport, Housing, and Transportation Funds sustained net losses.

The City's discretely presented component units enterprise operations are comprised of the Detroit Transportation Corporation and the Greater Detroit Resource Recovery Authority.

The Greater Detroit Resource Recovery Authority had operating income before depreciation as well as net income, while the Detroit Transportation Corporation had an operating loss before depreciation and sustained a net loss.

FIDUCIARY FUNDS

The Fiduciary Funds consisting of the Pension Funds and the Trust and Agency Funds account for the activities for which the City has an agency or trustee responsibility.

The Pension Funds are comprised of the General Retirement System which covers substantially all employees other than police officers and firefighters who are covered by the Policemen and Firemen Retirement System.

According to the most recent actuarial reports (as of June 30, 1998), the total Actuarial Accrued Liability (AAL) of the General Retirement System was \$2.815 billion (with an unfunded AAL of \$232.8 million), and the total AAL of the Policemen and Firemen Retirement System was \$2.977 billion (all of which is funded with excess funding of \$349.1 million). During that same reporting period, the General Retirement System experienced a net increase of \$277.1 million in the AAL. For the Policemen and Firemen Retirement System the net increase was \$170.2 million.

The Trust and Agency Funds are comprised of five funds with total assets of approximately \$89.1 million. The major Trust and Agency Funds are:

Budget Stabilization Fund (Trust Fund) — established to cover a General Fund deficit, to restore a reduction in the number of employees in a subsequent year's budget and to cover expenses arising because of a natural disaster (\$32.1 million in assets as of June 30, 1999).

Employee Benefit Fund (Trust Fund) — which provides employees, and to some extent retirees with contributory and non-contributory hospital and medical insurance and group life insurance (\$49.5 million in assets as of June 30, 1999).

GENERAL FIXED ASSETS

The general fixed assets of the City are those fixed assets used in the performance of general governmental functions and exclude the fixed assets of Enterprise Funds. As of June 30, 1999 the general fixed assets of the City amounted to \$1.6 billion. All fixed assets are valued at historic cost, or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the donated date. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are excluded from the general fixed assets. Depreciation of general fixed assets is not recognized in the City's accounting system.

Some of the major areas of concentration of general fixed assets in the City are as follows:

Cultural and Recreational	\$521,826,701
Municipal Facilities.....	367,772,057
Physical and Economic Development....	320,365,548
Municipal Services	89,221,318
Public Protection	59,257,144

DEBT ADMINISTRATION

The ratio of net general tax-supported debt to assessed valuation and the amount of general tax-supported debt per capita are indicators of the City's debt position useful to municipal management, citizens, and investors. This data for the City at the end of the 1999 fiscal year is as follows:

	Amount	Ratio of Net Debt to Taxable Assessed Value (50.0% of Present Market Value)	Ratio of Debt to Present Market Value	Debt Per Capita
General Tax Supported Debt (Net) . . .	1,042,641,000	15.72%	7.86%	\$1,042

The above schedule does not include loans, bonds, and notes that are not supported by the full faith and credit of the City, such as revenue bonds, Federal loans, or loans guaranteed by the Federal Government.

Outstanding general obligation bonds at June 30, 1999 totaled \$1,079,057,000.

The following tabulation presents bonds issued during the past five fiscal years which represent general obligations of the City:

[illegible]

* These bonds have been fully or partially refunded.

Current ratings as of June 30, 1999 on various bonds issued by the City and its related authorities are as follows:

	Moody's Investors Service	Standard & Poor's	Fitch Investors Service
General Obligation Bonds (Unlimited Tax)	Baa1	A-	A-
* General Obligation Bonds (Unlimited Tax)	Aaa	AAA	AAA
General Obligation Bonds (Limited Tax):			
Self Insurance Bonds.....	Baa2	BBB+	A-
* Self Insurance Bonds.....	Baa2	A1	F-1
Stadia.....	Baa2	BBB+	BBB+
General Obligation Distributable State Aid Bonds.....	Aaa	AAA	Not Rated
Greater Detroit Resource Recovery Authority			
Revenue Bonds.....	Baa1	AAA	AAA
Greater Detroit Resource Recovery Authority			
Revenue Bonds.....	Aaa	A-	BBB+
Economic Development Corporation:			
* Resource Recovery Revenue Bonds	Aaa	AAA	Not Rated
Water System Revenue Bonds	A1	A	A
* Water System Revenue Bonds	Aaa	AAA	AAA
Sewage Disposal System Revenue Bonds.....	A1	A	A
* Sewage Disposal System Revenue Bonds	Aaa	AAA	AAA
* Detroit Building Authority Parking and Arena System			
Revenue Bonds.....	Aaa	AAA	AAA
* Detroit Building Authority (District Court Madison			
Center).....	Not Rated	A	Not Rated
Convention Facility Limited Tax Revenue			
Bonds — Cobo Center	Not Rated	A	Not Rated
Local Development Finance Authority Tax			
Increment Bonds (Jefferson/Conner Project)	Not Rated	Ba1	Not Rated
Downtown Development Authority Tax Increment Bonds....	Aaa	A	Not Rated

* Payment guaranteed by municipal bond insurance policy or letter of credit.

CASH MANAGEMENT

The City's investment policy attempts to maintain and protect investment principal while striving to maximize total return on the portfolio consistent with risk limitations pursuant to guidelines set forth in Michigan Act 20, Public Acts of 1943 as amended.

The City has always maintained a conservative investment philosophy and as a result of recent amendments to Michigan Public Act 20, have established strict investment guidelines for its investment programs.

No investment shall have a maturity longer than ten (10) years from the date of the investment. The City's longest investment has a maturity date of November 15, 2003.

The following information pertains to the City's General Fund:

Average Monthly Investment Balance	\$ 188,575,464
Investment Earnings Fiscal Year 1999	\$ 11,328,628
Investment Earnings Fiscal Year 1998	\$ 20,398,784
Percent Decrease in Earnings for Fiscal Year 1999 versus 1998	(44.46%)
Average Daily Cash Balance	\$ 2,000,000

*Balance at various local banks as compensating balance for the banks.

RISK MANAGEMENT

The City currently self-insures approximately 80% of the City's insurance needs.

Commercial insurance is purchased for specialized exposures such as aviation hull and liability, airport premises liability, steam boiler and other certain property risks to name a few.

Automobile liability losses are self-insured. However, the City does have commercial auto insurance for its non-tax-supported agencies, namely the Water and Sewerage Department, Housing Commission, Municipal Parking Department, Library Department and the Department of Transportation (non-bus coaches only). Claims adjusting services for self-insured automobile liability and property claims are administered by a private service company. Automobile liability claims under the State of Michigan Automobile No-Fault Act for all non-tax supported agencies are administered by the City Finance Department (DOT bus passengers are excluded).

General liability and property losses are self-insured with the exception of some commercial insurance for a few City departments. Self-insured general liability and property losses are processed by the City's Law Department.

Workers' Compensation is currently self-insured and self-administered under the rules and regulations of the State of Michigan Labor Division. Claims administration is handled in-house by the Finance Department, Risk Management Division. Legal cases are handled by the City's Law Department.

Workers' Compensation case medical management, rehabilitation services and medical bill reviews are currently handled by professional claims management firms under the auspices of the Risk Management Division of the Finance Department.

As of June 30, 1999, the City's Risk Management Fund had a balance of approximately \$41.59 million. Covered losses are liabilities to third parties for any loss or damage arising out of negligence, tort, contract or otherwise accruing and payable by the City, and for which insurance coverage could be provided by a third party insurer, but for which the City has determined to self-insure. Included among other covered losses are liabilities for workers' compensation and disability benefits. Procedures concerning proactive safety training, utilizing the favored work concept, retraining injured employees, reducing slip and fall claims, monitoring property damage claims and centralizing all workers' compensation and safety functions were developed and instituted. Professional services contracts are currently in place for actuarial services and medical case review.

AUDITS

The City Charter requires the Auditor General of the City to audit the transactions of all City agencies at least once every two years. The Auditor General is appointed by the City Council, the Legislative Branch of City Government.

State laws require the City to have its financial statements audited by an independent, outside auditor once every five years. However, beginning with fiscal year 1980, the Mayor and City Council agreed to have the City's financial statements audited by an independent outside auditor every year. The auditor's report on the general purpose financial statements is included in the financial section of this report. In addition to the above, the City of Detroit has to meet the requirements of the Single Audit Act Amendments of 1996 and the U. S. Office of Management and Budget's (OMB) Circular A-133, *Audits of States, Local Governments and non-profit organizations*.

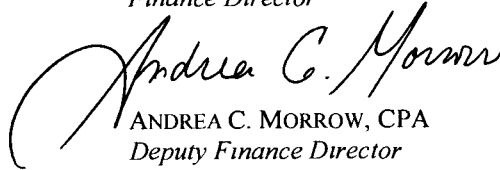
ACKNOWLEDGMENTS

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire accounting staff and other members of the Finance Department. We would like to express our appreciation to the Finance Department staff and all members of City agencies and the Mayor's Office who assisted and contributed to its preparation. Our thanks also extend to the members of the City Council for their interest and support in planning and conducting the financial affairs of the City in a responsible manner.

Respectfully submitted,



J. EDWARD HANNAN
Finance Director



ANDREA C. MORROW, CPA
Deputy Finance Director



JOSEPH L. HARRIS, CPA, CIA
AUDITOR GENERAL
CITY OF DETROIT

208 COLEMAN A. YOUNG MUNICIPAL CENTER
DETROIT, MICHIGAN 48226
PHONE 313•224•3101
FAX 313•224•4091

AUDITOR GENERAL'S LETTER

March 22, 2000

The Honorable Mayor Dennis W. Archer
and Members of the City Council
City of Detroit, Michigan

The accompanying general purpose financial statements for the fiscal year ended June 30, 1999, were audited by KPMG LLP, and Alan C. Young and Associates, P.C., under contract with the City of Detroit, Auditor General. The audit of these financial statements and the resulting Auditors' opinion satisfies the requirements of the City Charter under Section 4-205.

Based on the results of their audit, KPMG LLP and Alan C. Young and Associates, P.C., have issued their report on the aforementioned financial statements, dated March 22, 2000.

Respectfully,

Joseph L. Harris
Auditor General



Photographed by Kwabena Shabu

GRAND CIRCUS PARK

Grand Circus Park — the gateway between Detroit's Business and Theater Districts — was founded in 1850 and remains a vital part of downtown life today. The park recently underwent a \$2 million renovation.

F I N A N C I A L

The Financial Section contains:

- A. Independent Auditor's Report**
- B. General Purpose Financial Statements**
- C. Notes to General Purpose Financial Statements**
- D. Financial Statements of Individual Funds**



Suite 1200
150 West Jefferson
Detroit, MI 48226-4429

Alan C.
Young & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Auditors' Report

To the Honorable Mayor Dennis W. Archer
and Members of the City Council
City of Detroit, Michigan:

We have audited the accompanying general purpose financial statements of the City of Detroit, Michigan (the City), as of and for the year ended June 30, 1999, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Downtown Development Authority, Economic Development Corporation, Museum of African American History, Detroit Transportation Corporation, and Greater Detroit Resource Recovery Authority, which represent 33.8% and 10%, respectively, of the assets and revenues of the component units. We also did not audit the financial statements of the Transportation Fund which represent 3.84%, and 6.22%, respectively, of the assets and revenues of the Enterprise funds. These financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component units and the Transportation Fund, is based solely on the reports of other auditors.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Detroit, Michigan at June 30, 1999 and the results of its operations and cash flows of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles.





The Honorable Mayor Dennis W. Archer
and Members of the City Council

Page 2

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund, component unit, and account group financial statements listed in the foregoing table of contents, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the general purpose financial statement taken as a whole. The introduction and statistical sections listed in the table of contents were not audited by us and, accordingly, we do not express an opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2000 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

KPMG LLP

Alan C. Young; Asso.

March 22, 2000
Detroit, Michigan



Photo Courtesy of Detroit Tigers, Inc.
 Photographed by Mark A. Hicks/Action Image

COMERICA PARK

The Detroit Tigers, a professional baseball team, had their Grand Opening day for the 2000 season on April 11, 2000 in the new baseball stadium. Fans and the Detroit Tigers celebrated a new stadium, overlooking the breathtaking skyline of Detroit below. The stadium has more than 1 million square feet, with 42,000 seats, 5,200 club seats and 65 exclusive suites. Comerica Park is located next to Ford Field, the new home for the Detroit Lions.



Photographed by Kwabena Shabu

EXHIBIT AAA-1

**City of
COMBINED
ALL FUND TYPES, ACCOUNT GROUPS AND
June 30,**

	Governmental Fund Types			
	General	Special Revenue	General Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Cash	\$ 33,512,088	\$ 19,655,529	\$ 22,487	\$ 43,924,814
Investments - Pension Funds	-	-	-	-
Investments - Other Funds	75,476,915	57,415,126	15,606,614	96,654,890
Accounts and Contracts Receivable:				
Due from Other Funds	95,809,770	4,128,930	801,766	47,830,925
Due from Primary Government	-	-	-	-
Due from Component Units	52,304,431	-	-	-
Due from Other Governmental Agencies	119,365,033	31,856,934	-	2,600,855
Estimated Withheld Income Taxes Receivable	31,136,522	-	-	-
Utility Users' Taxes Receivable	4,665,050	-	-	-
Other Receivables	29,442,434	3,232,029	-	383,090
Total Accounts and Contracts Receivable - Gross	332,723,240	39,217,893	801,766	50,814,870
Allowance for Uncollectible Accounts	(14,062,091)	(585,721)	-	(238,000)
Total Accounts and Contracts Receivable - Net	318,661,149	38,632,172	801,766	50,576,870
Short-Term Loans and Advances to Other Funds	2,963,550	-	-	-
Land Contracts Receivable	6,569,115	-	-	-
Inventory-Forfeited Property	-	570,621	-	-
Inventories	46,878,988	3,807,540	-	-
Prepaid Expenses	-	231,905	-	-
Taxes, Interest and Penalties Receivable - Net	64,757,439	2,216,087	6,911,567	-
Other Advances	5,000	-	-	-
Short-Term Loans and Advances to Component Units	-	580,210	-	-
Other Assets	-	-	-	-
Total Current Assets	548,824,244	123,109,190	23,342,434	191,156,574
Restricted Assets				
Cash	1,840,843	857,235	1,685,938	-
Investments	50,819,655	-	-	-
Loans and Notes Receivable - Current	-	-	-	-
Loans and Notes Receivable - Noncurrent	-	-	-	-
Due from Other Funds	-	1,313,156	-	-
Due from Primary Government	-	-	-	-
Grants Receivable	-	-	-	-
Escrow Deposits	-	-	-	-
Other Receivables	-	-	-	-
Total Restricted Assets	52,660,498	2,170,391	1,685,938	-
Deferred Charges	-	-	-	-
Long-Term Assets - Unamortized Bond Issuance Costs	-	-	-	-
Long-Term Assets - Other	-	-	-	-
Property, Plant and Equipment - Net	-	-	-	-
Amounts Available for Long-Term Debt - Principal Only	-	-	-	-
Amounts to be Provided for General Long-Term Obligations	-	-	-	-
Total Assets and Other Debits	\$ 601,484,742	\$ 125,279,581	\$ 25,028,372	\$ 191,156,574

(Continued)

The accompanying notes are an integral part of the financial statements.

EXHIBIT AAA-1

**Detroit
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNITS
1999**

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Total All Funds and Account Groups (Memorandum Only)		Total All Funds and Account Groups (Memorandum Only)	
		General	General Fixed	Primary Government	Component Units	Reporting Entity	
Enterprise	Pension and Trust and Agency	Long-Term Obligations	Assets		Total		
\$ 6,063,246	\$ 8,071,955	\$ -	\$ -	\$ 111,250,119	\$ 7,943,930	\$ 119,194,049	
-	7,063,929,782	-	-	7,063,929,782	-	7,063,929,782	
37,755,567	66,290,038	-	-	349,199,150	760,406,685	1,109,605,835	
89,255,136	25,765,360	-	-	263,591,887	-	263,591,887	
-	-	-	-	-	4,604,439	4,604,439	
-	-	-	-	52,304,431	-	52,304,431	
17,461,870	-	-	-	171,284,692	247,233,154	418,517,846	
-	-	-	-	31,136,522	-	31,136,522	
-	-	-	-	4,665,050	-	4,665,050	
239,812,855	400,964,809	-	-	673,835,217	16,003,597	689,838,814	
346,529,861	426,730,169	-	-	1,196,817,799	267,841,190	1,464,658,989	
(72,265,666)	-	-	-	(87,151,478)	(65,000)	(87,216,478)	
274,264,195	426,730,169	-	-	1,109,666,321	267,776,190	1,377,442,511	
-	-	-	-	2,963,550	-	2,963,550	
-	-	-	-	6,569,115	-	6,569,115	
-	-	-	-	570,621	-	570,621	
24,895,228	-	-	-	75,581,756	13,206,379	88,788,135	
774,993	-	-	-	1,006,898	470,034	1,476,932	
-	-	-	-	73,885,093	81,979,339	155,864,432	
-	-	-	-	5,000	-	5,000	
-	-	-	-	580,210	-	580,210	
-	-	-	-	-	-	-	
343,753,229	7,565,021,944	-	-	8,795,207,615	1,131,782,557	9,926,990,172	
511,856	-	-	-	4,895,872	9,251,079	14,146,951	
561,135,696	-	-	-	611,955,351	264,011,664	875,967,015	
-	-	-	-	-	2,799,939	2,799,939	
-	-	-	-	-	102,417,239	102,417,239	
2,466,507	-	-	-	3,779,663	-	3,779,663	
-	-	-	-	-	5,117,212	5,117,212	
44,813,995	-	-	-	44,813,995	-	44,813,995	
-	-	-	-	-	138,109,884	138,109,884	
14,395	-	-	-	14,395	13,120,742	13,135,137	
608,942,449	-	-	-	665,459,276	534,827,759	1,200,287,035	
-	-	-	-	-	4,267,853	4,267,853	
21,075,479	-	-	-	21,075,479	12,097,127	33,172,606	
650,000	-	-	-	650,000	8,350,778	9,000,778	
2,616,995,890	-	-	1,578,052,441	4,195,048,331	1,590,353,542	5,785,401,873	
-	-	30,996,206	-	30,996,206	24,108,365	55,104,571	
-	-	1,165,577,246	-	1,165,577,246	1,041,855,012	2,207,432,258	
\$ 3,591,417,047	\$ 7,565,021,944	\$ 1,196,573,452	\$ 1,578,052,441	\$ 14,874,014,153	\$ 4,347,642,993	\$ 19,221,657,146	

(Continued)

EXHIBIT AAA-1

(Continued)

City of COMBINED ALL FUNDS, ACCOUNT GROUPS AND June 30,

	Governmental Fund Types			
	General	Special Revenue	General Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS				
Current Liabilities Payable from Current Assets				
Book Overdraft	\$ -	\$ 708,534	\$ -	\$ -
Accounts and Contracts Payable	9,880,168	8,920,743	-	17,095,263
Due to Other Funds	91,161,679	23,553,840	11,453,880	3,876,682
Loans and Other Short-Term Advances from Other Funds	-	863,550	-	850,000
Due to Other Governmental Agencies	6,463,311	4,224,025	-	-
Due to Primary Government	-	-	-	-
Due to Component Units	7,711,610	688,688	1,101,254	-
Other Current Liabilities	172,759,198	26,346,040	1,671,299	1,924,552
Total Current Liabilities Payable from Current Assets	287,975,966	65,305,420	14,226,433	23,746,497
Current Liabilities Payable from Restricted Assets				
Bonds and Notes Payable within One Year	-	-	-	-
Accrued Interest on Bonds and Notes Payable	-	-	-	-
Accounts and Contracts Payable	1,467,809	-	-	-
Loans and Other Short-Term Advances from Primary Government	-	-	-	-
Due to Other Funds	82,864	-	-	-
Due to Primary Government	-	-	-	-
Other Liabilities	9,523,731	-	-	-
Total Current Liabilities from Restricted Assets	11,074,404	-	-	-
Bonds, Notes and Other Debt Payable - Noncurrent	-	-	-	-
Less Unamortized Discount	-	-	-	-
Bonds, Notes and Other Debt Payable - Noncurrent - Net of Unamortized Discount	-	-	-	-
Capital Leases Payable	-	-	-	-
Accrued Public Liability and Workers' Compensation	-	-	-	-
Other Long-Term Liabilities	-	-	-	-
Finance Obligation	-	-	-	-
Deferred Revenue	68,186,553	1,906,087	6,197,302	2,362,872
Total Liabilities	367,236,923	67,211,507	20,423,735	26,109,369
Equity and Other Credits				
Contributed Capital, Net of Amortization	-	-	-	-
Investment in Fixed Assets	-	-	-	-
Retained Earnings				
Reserved	-	-	-	-
Unreserved	-	-	-	-
Fund Balances				
Reserved				
Reserve for Inventories	46,878,988	4,378,161	-	-
Reserve for Encumbrances	113,270,204	48,581,882	-	-
Reserve for Advances and Loans	2,968,550	-	-	-
Reserve Employee Pension Benefits	-	-	-	-
Other	-	-	1,901,814	16,285,528
Unreserved				
Designated for Blue Cross Blue Shield Insured Program	27,888,109	-	-	-
Designated for Risk Management Operations	41,586,094	-	-	-
Designated for Debt Service - Principal and Interest	-	-	2,702,823	-
Designated for Capital Projects	-	-	-	148,761,677
Designated for Trust and Agency	-	-	-	-
Undesignated - Fund Balance (Deficit) from Operations	1,655,874	5,108,031	-	-
Total Fund Equity	234,247,819	58,068,074	4,604,637	165,047,205
Commitments and Contingencies				
Total Liabilities, Equity and Other Credits	\$ 601,484,742	\$ 125,279,581	\$ 25,028,372	\$ 191,156,574

The accompanying notes are an integral part of the financial statements

EXHIBIT AAA-1

(Continued)

Detroit
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNITS
1999

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Total All Funds and Account Groups (Memorandum Only)	Component Units	Total All Funds and Account Groups (Memorandum Only)
Enterprise	Pension and Trust and Agency	General Long-Term Obligations	General Fixed Assets	Primary Government	Total	Reporting Entity
\$ 89,301	\$ -	\$ -	\$ -	\$ 797,835	\$ 2,082,198	\$ 2,880,033
29,394,918	785,754,898	-	-	851,045,990	71,764,824	922,810,814
107,537,892	4,466,828	-	-	242,050,801	-	242,050,801
1,250,000	-	-	-	2,963,550	-	2,963,550
6,813,704	-	-	-	17,501,040	3,362,142	20,863,182
-	-	-	-	-	4,275,014	-
220,099	-	-	-	9,721,651	-	9,721,651
57,606,101	56,779,561	-	-	317,086,751	48,925,804	366,012,555
202,912,015	847,001,287	-	-	1,441,167,618	130,409,982	1,567,302,586
34,865,169	-	-	-	34,865,169	225,733,081	260,598,250
79,554,570	-	-	-	79,554,570	3,249,305	82,803,875
46,240,400	-	-	-	47,708,209	25,923,956	73,632,165
-	-	-	-	-	580,210	580,210
25,237,885	-	-	-	25,320,749	-	25,320,749
-	-	-	-	-	48,029,417	48,029,417
2,826,068	-	-	-	12,349,799	-	12,349,799
188,724,092	-	-	-	199,798,496	303,515,969	503,314,465
1,581,242,995	-	902,451,390	-	2,483,694,385	1,343,036,294	3,826,730,679
(57,815,403)	-	-	-	(57,815,403)	(8,090,421)	(65,905,824)
1,523,427,592	-	902,451,390	-	2,425,878,982	1,334,945,873	3,760,824,855
-	-	-	-	-	10,868,724	10,868,724
54,296,496	-	-	-	54,296,496	-	54,296,496
20,189,903	-	294,122,062	-	314,311,965	199,864,119	514,176,084
-	-	-	-	-	148,629,956	148,629,956
249,089	-	-	-	78,901,903	275,262,215	354,164,118
1,989,799,187	847,001,287	1,196,573,452	-	4,514,355,460	2,403,496,838	6,913,577,284
1,100,002,212	-	-	-	1,100,002,212	111,254,052	1,211,256,264
-	-	-	1,578,052,441	1,578,052,441	1,056,136,955	2,634,189,396
102,890,687	-	-	-	102,890,687	-	102,890,687
398,724,961	-	-	-	398,724,961	(17,051,416)	381,673,545
-	-	-	-	51,257,149	-	51,257,149
-	-	-	-	161,852,086	-	161,852,086
-	-	-	-	2,968,550	-	2,968,550
-	6,653,760,190	-	-	6,653,760,190	-	6,653,760,190
-	-	-	-	18,187,342	479,986,174	498,173,516
-	-	-	-	27,888,109	-	27,888,109
-	-	-	-	41,586,094	-	41,586,094
-	-	-	-	2,702,823	-	2,702,823
-	-	-	-	148,761,677	-	148,761,677
-	64,260,467	-	-	64,260,467	-	64,260,467
-	-	-	-	6,763,905	313,820,390	320,584,295
1,601,617,860	6,718,020,657	-	1,578,052,441	10,359,658,693	1,944,146,155	12,303,804,848
\$ 3,591,417,047	\$ 7,565,021,944	\$ 1,196,573,452	\$ 1,578,052,441	\$ 14,874,014,153	\$ 4,347,642,993	\$ 19,217,382,132

EXHIBIT AAA-2

City of
**COMBINED STATEMENT OF REVENUES,
ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST**
For the Year Ended

	Governmental Fund		
	General	Special Revenue	General Debt Service
Revenues:			
Taxes, Assessments, Interest and Penalties	\$ 583,838,006	\$ 17,686,328	\$ 52,353,287
Licenses, Permits, and Inspection Charges.....	24,426,007	-	-
Shared Taxes and Grants.....	403,727,319	256,272,168	-
Sales and Charges for Services.....	150,481,902	-	-
Contributions.....	-	-	-
Ordinance Fines.....	16,066,842	3,965,588	-
Revenues from Use of Assets	27,503,757	2,500,611	3,421,149
Other Revenues.....	61,480,420	14,188,709	163,843
Total Revenues.....	1,267,524,253	294,613,404	55,938,279
Expenditures:			
Public Protection.....	501,210,998	1,768,587	-
Health	85,169,400	55,608,048	-
Education	-	29,084,169	-
Recreation and Culture.....	65,077,273	-	-
Economic Development.....	17,048,522	66,858,618	-
Transportation.....	-	38,892,162	-
Housing Supply and Conditions.....	31,258,693	43,607,554	-
Physical Environment.....	242,808,604	-	-
Management	322,394,661	-	-
Trust and Agency Expenditures.	-	-	-
Capital Outlay.....	-	-	-
Debt Service.....	-	-	116,678,473
Total Expenditures.	1,264,968,151	235,819,138	116,678,473
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,556,103	58,794,266	(60,740,194)
Other Financing Sources (Uses).			
Other Financing Sources			
Transfers In:			
General Fund.....	-	3,416,944	47,777,008
Special Revenue Funds.....	69,790,184	9,398,788	1,640,910
Capital Projects Funds.....	3,556,090	-	12,713,256
Enterprise Funds.....	17,700,000	-	-
Primary Government.....	-	-	-
Component Units.	54,929,276	-	-
Operating Transfer.....	-	-	-
Proceeds from Bonds, Notes, and Loans - Net.....	253,477	-	-
Capital Lease Acquisitions.....	-	-	-
Total Other Financing Sources.....	146,229,027	12,815,732	62,131,174
Other Financing Uses.			
Transfers Out.			
General Fund	-	69,790,184	-
Special Revenue Funds.....	3,416,944	9,398,788	-
Enterprise Funds.....	53,303,317	-	-
Capital Projects Funds.....	47,647,024	20,671	-
General Debt Service Fund.....	47,777,008	1,640,910	-
Trust and Agency Funds.....	6,690,031	-	-
Primary Government.....	-	-	-
Component Units.....	14,432,622	1,169,101	3,612,096
Operating Transfer.....	-	-	-
Payment to Refund Debt Escrow Agent	-	-	-
Total Other Financing Uses.....	173,266,946	82,019,654	3,612,096
Total Other Financing Sources (Uses).....	(27,037,919)	(69,203,922)	58,519,078
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under)			
Expenditures and Other Financing Uses.....	(24,481,816)	(10,409,656)	(2,221,116)
School District of the City of Detroit - Equity at Beginning of Year.....	-	-	-
Fund Balances at Beginning of Year.....	246,896,007	68,202,023	6,825,753
Increase (Decrease) in Reserve for Inventories.....	11,833,628	275,707	-
Fund Balances at End of Year.....	\$ 234,247,819	\$ 58,068,074	\$ 4,604,637

The accompanying notes are an integral part of the financial statements.

EXHIBIT AAA-2

Detroit
EXPENDITURES AND CHANGES IN FUND BALANCES
FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
June 30, 1999

Types	Fiduciary	Total		Total
Capital	Fund Types	(Memorandum Only)	Governmental	(Memorandum Only)
Projects	Trust	Primary Government	Component Units	Reporting Entity
Funds				
\$ -	\$ -	\$ 653,877,621	\$ 144,436,075	\$ 798,313,696
-	-	24,426,007	-	24,426,007
36,169,278	-	696,168,765	1,096,614,343	1,792,783,108
-	-	150,481,902	-	150,481,902
-	180,493,751	180,493,751	2,101,229	182,594,980
-	-	20,032,430	-	20,032,430
6,061,633	1,534,120	41,021,270	55,332,432	96,353,702
1,581,062	-	77,414,034	280,871,045	358,285,079
43,811,973	182,027,871	1,843,915,780	1,579,355,124	3,423,270,904
-	-	502,979,585	-	502,979,585
-	-	140,777,448	-	140,777,448
-	-	29,084,169	1,412,802,969	1,441,887,138
-	-	65,077,273	-	65,077,273
-	-	83,907,140	49,849,193	133,756,333
-	-	38,892,162	-	38,892,162
-	-	74,866,247	-	74,866,247
-	-	242,808,604	-	242,808,604
-	-	322,394,661	-	322,394,661
-	180,050,708	180,050,708	-	180,050,708
91,740,006	-	91,740,006	83,219,263	174,959,269
-	-	116,678,473	93,288,020	209,966,493
91,740,006	180,050,708	1,889,256,476	1,639,159,445	3,528,415,921
(47,928,033)	1,977,163	(45,340,695)	(59,804,321)	(105,145,016)
47,647,024	6,690,031	105,531,007	-	105,531,007
20,671	-	80,850,553	-	80,850,553
430,000	-	16,699,346	-	16,699,346
-	-	17,700,000	-	17,700,000
-	-	-	9,902,324	9,902,324
-	-	54,929,276	-	54,929,276
-	-	-	11,541,759	11,541,759
46,472,306	-	46,725,783	551,744,764	598,470,547
-	-	-	2,613,195	2,613,195
94,570,001	6,690,031	322,435,965	575,802,042	898,238,007
3,556,090	-	73,346,274	-	73,346,274
-	-	12,815,732	-	12,815,732
1,121,139	-	54,424,456	-	54,424,456
430,000	-	48,097,695	-	48,097,695
12,713,256	-	62,131,174	-	62,131,174
-	-	6,690,031	-	6,690,031
-	-	-	54,929,276	54,929,276
-	-	19,213,819	-	19,213,819
-	-	-	11,541,759	11,541,759
-	-	-	149,789,175	149,789,175
17,820,485	-	276,719,181	216,260,210	492,979,391
76,749,516	6,690,031	45,716,784	359,541,832	405,258,616
28,821,483	8,667,194	376,089	299,737,511	300,113,600
-	-	-	1,274,580,656	1,274,580,656
136,225,722	55,593,273	513,742,778	275,625,352	789,368,130
-	-	12,109,335	-	12,109,335
\$ 165,047,205	\$ 64,260,467	\$ 526,228,202	\$ 1,849,943,519	\$ 2,376,171,721

EXHIBIT AAA-3

City of
COMBINED STATEMENT OF REVENUES, EXPENDITURES
GENERAL, SPECIAL REVENUE
For the Year Ended

	General Fund			Special
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget
Revenues:				
Taxes, Assessments, Interest and Penalties.....	\$ 602,579,430	\$ 583,838,006	\$ (18,741,424)	\$ 16,193,080
Licenses, Permits, and Inspection Charges.....	24,590,400	24,426,007	(164,393)	-
Shared Taxes and Grants.....	483,286,735	403,727,319	(79,559,416)	514,363,621
Sales and Charges for Services.....	183,096,567	150,481,902	(32,614,665)	-
Ordinance Fines.....	15,699,311	16,066,842	367,531	2,420,000
Revenues from Use of Assets.....	30,261,139	27,503,757	(2,757,382)	2,921,247
Other Revenues.....	77,904,512	61,480,420	(16,424,092)	57,717,234
Total Revenues.....	1,417,418,094	1,267,524,253	(149,893,841)	593,615,182
Expenditures:				
Public Protection.....	570,582,495	501,210,998	69,371,497	4,588,421
Health.....	135,789,556	85,169,400	50,620,156	82,591,556
Education.....	-	-	-	33,666,589
Recreation and Culture.....	74,893,976	65,077,273	9,816,703	-
Economic Development.....	19,064,447	17,048,522	2,015,925	233,654,020
Transportation.....	-	-	-	50,811,229
Housing Supply and Conditions.....	42,558,427	31,258,693	11,299,734	151,950,623
Physical Environment.....	320,217,767	242,808,604	77,409,163	-
Management.....	439,107,417	322,394,661	116,712,756	-
Debt Service:				
Principal.....	-	-	-	-
Interest and Other Charges.....	-	-	-	-
Total Expenditures.....	1,602,214,085	1,264,968,151	337,245,934	557,262,438
Excess (Deficiency) of Revenues Over (Under) and Expenditures.....	(184,795,991)	2,556,103	187,352,094	36,352,744
Other Financing Sources (Uses):				
Operating Transfers In.....	150,687,484	146,229,027	(4,458,457)	32,161,285
Operating Transfers Out.....	148,415,855	173,266,946	(24,851,091)	132,613,598
Total Other Financing Sources (Uses).....	2,271,629	(27,037,919)	(29,309,548)	(100,452,313)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses.....	(182,524,362)	(24,481,816)	158,042,546	(64,099,569)
Fund Balances at Beginning of Year.....	182,524,362	246,896,007	64,371,645	64,099,569
Increase (Decrease) in Reserve for Inventories.....	-	11,833,628	11,833,628	-
Fund Balances at End of Year.....	\$ -	\$ 234,247,819	\$ 234,247,819	\$ -

The accompanying notes are an integral part of the financial statements.

EXHIBIT AAA-3

Detroit
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
AND GENERAL DEBT SERVICE FUND
June 30, 1999

Revenue Funds		General Debt Service Fund				Total (Memorandum Only)	
Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 17,686,328	\$ 1,493,248	\$ 54,994,490	\$ 52,353,287	\$ (2,641,203)	\$ 673,767,000	\$ 653,877,621	\$ (19,889,379)
-	-	-	-	-	24,590,400	24,426,007	(164,393)
256,272,168	(258,091,453)	-	-	-	997,650,356	659,999,487	(337,650,869)
-	-	-	-	-	183,096,567	150,481,902	(32,614,665)
3,965,588	1,545,588	-	-	-	18,119,311	20,032,430	1,913,119
2,500,611	(420,636)	-	2,700,566	2,700,566	33,182,386	32,704,934	(477,452)
14,188,709	(43,528,525)	2,749,188	900,160	(1,849,028)	138,370,934	76,569,289	(61,801,645)
294,613,404	(299,001,778)	57,743,678	55,954,013	(1,789,665)	2,068,776,954	1,618,091,670	(450,685,284)
1,768,587	2,819,834	-	-	-	575,170,916	502,979,585	72,191,331
55,608,048	26,983,508	-	-	-	218,381,112	140,777,448	77,603,664
29,084,169	4,582,420	-	-	-	33,666,589	29,084,169	4,582,420
-	-	-	-	-	74,893,976	65,077,273	9,816,703
66,858,618	166,795,402	-	-	-	252,718,467	83,907,140	168,811,327
38,892,162	11,919,067	-	-	-	50,811,229	38,892,162	11,919,067
43,607,554	108,343,069	-	-	-	194,509,050	74,866,247	119,642,803
-	-	-	-	-	320,217,767	242,808,604	77,409,163
-	-	-	-	-	439,107,417	322,394,661	116,712,756
-	-	62,715,626	58,841,706	3,873,920	62,715,626	58,841,706	3,873,920
-	-	60,404,724	57,836,767	2,567,957	60,404,724	57,836,767	2,567,957
235,819,138	321,443,300	123,120,350	116,678,473	6,441,877	2,282,596,873	1,617,465,762	665,131,111
58,794,266	22,441,522	(65,376,672)	(60,724,460)	4,652,212	(213,819,919)	625,909	214,445,828
12,815,732	(19,345,553)	62,353,791	62,131,174	(222,617)	245,202,560	221,175,933	(24,026,627)
82,019,654	50,593,944	3,802,872	3,612,096	190,776	284,832,325	258,898,696	25,933,629
(69,203,922)	31,248,391	58,550,919	58,519,078	(31,841)	(39,629,765)	(37,722,763)	1,907,002
(10,409,656)	53,689,913	(6,825,753)	(2,205,382)	4,620,371	(253,449,684)	(37,096,854)	216,352,830
68,202,023	4,102,454	6,825,753	6,825,753	-	253,449,684	321,923,783	68,474,099
275,707	275,707	-	-	-	-	12,109,335	12,109,335
\$ 58,068,074	\$ 58,068,074	\$ -	\$ 4,620,371	\$ 4,620,371	\$ -	\$ 296,936,264	\$ 296,936,264

EXHIBIT AAA-4

City of Detroit
**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS —
ALL PROPRIETARY FUND TYPES
AND DISCRETELY PRESENTED COMPONENT UNITS**
For the Year Ended June 30, 1999

	Proprietary Funds		Total
	Primary Government	Component Units	(Memorandum Only) Reporting Entity
Operating Revenues:			
Charges for Services.....	\$ 492,453,553	\$ 106,435,872	\$ 598,889,425
Miscellaneous.....	11,549,072	-	11,549,072
Total Operating Revenues.....	504,002,625	106,435,872	610,438,497
Operating Expenses Before Depreciation:			
Proprietary Funds.....	495,351,702	61,225,351	556,577,053
Total Operating Income Before Depreciation.....	8,650,923	45,210,521	53,861,444
Depreciation.....	(88,726,990)	(21,911,404)	(110,638,394)
Operating Income (Loss).....	(80,076,067)	23,299,117	(56,776,950)
Non Operating Revenues (Expenses):			
Earnings on Investments.....	39,321,459	6,725,174	46,046,633
Contributions.....	67,020,405	-	67,020,405
Other Revenues.....	1,612,308	209,730	1,822,038
Interest on Bonds and Notes Payable.....	(65,248,925)	(35,684,188)	(100,933,113)
Loss on Disposal of Assets.....	(270,546)	-	(270,546)
Other Expenses.....	(1,229,389)	-	(1,229,389)
Total Non Operating Revenues (Expenses).....	41,205,312	(28,749,284)	12,456,028
Net Income (Loss) Before Transfers.....	(38,870,755)	(5,450,167)	(44,320,922)
Other Financing Sources:			
Operating Transfers In — Other Funds.....	53,049,840	-	53,049,840
Operating Transfers In — Primary Government.....	-	9,311,495	9,311,495
Net Income	14,179,085	3,861,328	18,040,413
Depreciation on Fixed Assets Acquired by Contributed Capital.....	28,303,048	6,978,664	35,281,712
Increase (Decrease) in Retained Earnings.....	42,482,133	10,839,992	53,322,125
Retained Earnings (Deficit) Beginning of Year.....	459,133,515	(27,891,408)	431,242,107
Retained Earnings (Deficit) End of Year.....	501,615,648	(17,051,416)	484,564,232
Contributed Capital:			
Contributed Capital, Beginning of Year.....	1,045,420,767	118,232,716	1,163,653,483
Additions.....	82,884,493	-	82,884,493
Less Depreciation of Fixed Assets Acquired by Contributed Capital	(28,303,048)	(6,978,664)	(35,281,712)
Contributed Capital at End of Year.....	1,100,002,212	111,254,052	1,211,256,264
Equity at End of Year.....	\$ 1,601,617,860	\$ 94,202,636	\$ 1,695,820,496

The accompanying notes are an integral part of the financial statements.

EXHIBIT AAA-5

City of Detroit
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND DISCRETELY
PRESENTED COMPONENT UNITS
For the Year Ended June 30, 1999

	Proprietary Fund Types		Total
	Primary Government	Component Units	(Memorandum Only) Reporting Entity
Operating Income (Loss)	\$ (76,573,405)	\$ 23,299,117	\$ (53,274,288)
Adjustments to Reconcile Operating Income (Loss) to Net Cash			
Provided by Operating Activity:			
Depreciation	88,726,990	21,911,404	110,638,394
Provision for Uncollectible Accounts	13,907,874	-	13,907,874
Loss on Disposal of Assets	11,220	-	11,220
Amortization of Bond Discount and Issuance	4,018,395	1,860,135	5,878,530
Other	549,783	209,730	759,513
Changes in Certain Assets and Liabilities			
Due from Other Funds	30,880,567	-	30,880,567
Due from Governmental Agencies	3,819,895	(2,450,677)	1,369,218
Other Receivables	(23,771,426)	(2,955,806)	(26,727,232)
Inventories	(762,697)	(374,265)	(1,136,962)
Prepaid Expenses	(69,707)	1,410,956	1,341,249
Other Assets	502,428	-	502,428
Accounts and Contracts Payable	11,722,088	7,492,598	19,214,686
Due to Other Funds	22,815,655	-	22,815,655
Prepaid Revenue	(20,000)	-	(20,000)
Refundable Deposits	3,861	-	3,861
Due to Other Governmental Agencies	1,254,212	638,537	1,892,749
Other Liabilities	3,139,569	(462,966)	2,676,603
Accrued Public Liability and Workers' Compensation	(6,569,139)	-	(6,569,139)
Other Long-Term Liabilities	(1,539,601)	-	(1,539,601)
Deferred Revenue	(238,046)	220,913	(17,133)
Net Cash Provided by (Used In) Operating Activities	71,808,516	50,799,676	122,608,192
Cash Flows from Non-Capital Financing Activities			
Contributions from Other Governments	61,364,671	-	61,364,671
Transfers from Other Funds	47,932,261	-	47,932,261
Transfers from Primary Government	-	9,311,495	9,311,495
Other Non-Operating Activities	(176,864)	-	(176,864)
Net Cash Provided by Non-Capital Financing Activities	109,120,068	9,311,495	118,431,563
Cash Flows from Capital and Related Financing Activities			
Capital Contributions	82,309,033	-	82,309,033
Acquisition and Construction of Capital Assets	(285,859,306)	(1,398,221)	(287,257,527)
Proceeds from Bond and Note Issuances	159,596,493	-	159,596,493
Principal Paid on Bond Maturities	(35,011,302)	(29,855,000)	(64,866,302)
Interest Paid on Bonds - Net	(85,297,740)	(34,821,325)	(120,119,065)
Debt Extinguishment	(130,000,000)	-	(130,000,000)
Net Cash Provided by (Used In) Capital and Related Financing Activities	(294,262,822)	(66,074,546)	(360,337,368)
Cash Flows from Investing Activities			
Insurance Proceeds	-	2,009,419	2,009,419
Sales of Investments and Maturities - Net	59,392,921	(7,005,260)	52,387,661
Proceeds from Sale Leaseback Financing Transaction - Net	-	3,080,913	3,080,913
Interest on Investment Securities	39,321,459	7,642,418	46,963,877
Net Cash Provided by (Used In) Investing Activities	98,714,380	5,727,490	104,441,870
Net Increase in Cash	(14,619,858)	(235,885)	(14,855,743)
Cash at Beginning of Year	21,194,960	8,260,910	29,455,870
Cash at End of Year	\$ 6,575,102	\$ 8,025,025	\$ 14,600,127

The accompanying notes are an integral part of the financial statements.

EXHIBIT AAA - 6

City of Detroit
COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION FUNDS

For the Year Ended June 30, 1999

	Pension Funds
	1999
<hr/>	
Additions:	
City Contributions.....	\$ 71,392,925
Members's Contributions.....	30,724,419
Total Contributions.....	102,117,344
Investment Income.....	575,832,159
Total Additions.....	677,949,503
Deductions:	
Pension and Annuity Benefits.....	303,487,311
General and Administrative Expenses.....	6,671,454
Refunds.....	82,629,886
Total Deductions.....	392,788,651
Net Increase.....	285,160,852
Net Assets Held in Trust for Employees Pension Benefits, Beginning of Year.....	6,368,599,338
Net Assets Held in Trust for Employees Pension Benefits, End of Year.....	<u><u>\$ 6,653,760,190</u></u>

The accompanying notes are an integral part of the financial statements.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
June 30, 1999

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A – Reporting Entity:

The City of Detroit (the City), incorporated in 1806, is a home rule city under State law. The City is organized into two separate branches: (1) the executive branch, which is headed by the Mayor, (2) the legislative branch, which is composed of the City Council and its agencies. Other agencies (City Clerk and Election) are not classified under the two branches. The City provides the following services as authorized by its charter: public protection, public works, recreation and culture, health, economic development, public lighting, transportation, water and sewage, housing, airport, and parking

As required by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, the financial statements of the reporting entity include those of the City (the primary government) and its component units. Component units are legally separate organizations for which the elected officials of the City are financially accountable, or the relationship to the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City

Component Units: The financial statements of component units have been included in the financial reporting entity either as a blended component unit or discretely presented component unit.

Blended Component Unit: For financial reporting purposes, the City of Detroit Building Authority (DBA) is included in the operations and activities of the City because it was incorporated for the purpose of acquiring, furnishing, equipping, owning, improving, enlarging, operating, or maintaining a building or buildings (including but not limited to health and public safety facilities), automobile parking lots or structures (independently or adjunct to other buildings), recreational facilities, and the necessary site or sites together with appurtenant properties and facilities necessary or convenient for the effective use thereof, all for the use of any legitimate public purpose of the City. Financing is provided by the issuance of bonds secured by lease agreements with the City and from grants from the City

Discretely Presented Component Units: Component units which are not blended as part of the primary government are discretely presented by reporting component unit financial data in a column separate from the financial data of the primary government. These units are reported in a separate column to emphasize that they are legally separate from the City. The component units presented in this manner are the following.

Downtown Development Authority (DDA): The DDA was created to promote and develop economic growth in the City's downtown business district. Funding is provided by an ad valorem tax of one mill on real and personal property in the downtown development district, a levy on the increased assessed value of a tax increment district, and issuance of revenue and tax increment bonds

Economic Development Corporation (EDC): The EDC was established to create and implement project plans for designated project areas within the City, and thus encourage the location and expansion of industrial and commercial enterprises within the City. The EDC is primarily funded by means of grants from the City.

Local Development Finance Authority (LDFA): The LDFA was created to finance certain improvements for local public roads in the vicinity of the Chrysler Jefferson Avenue Assembly Plant. The LDFA is primarily funded by incremental portions of the City and the County of Wayne (the County) property taxes.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

A – Reporting Entity, Continued:

Museum of African American History (MAAH): The MAAH was created to provide research, compilation, presentation, publication, and dissemination of knowledge relating to the history, growth, development, heritage, and culture of people of African descent, and the human struggle for freedom. The MAAH is primarily funded by means of private grants and grants from the City.

School District of the City of Detroit (the District): The District is a statutory body created by the State of Michigan and functions under the provisions of the Michigan School Code. Funding is provided by an ad valorem tax of 6.5 mills (homestead properties) and 24.45 mills (non-homestead) on real and personal property in the City and a “foundation allowance” provided by the State of Michigan. (See additional explanation on page 26, Fund Balance Restatement).

Tax Increment Finance Authority (TIFA): The TIFA was created to acquire property and provide financing for industrial development programs through issuance of long-term debt secured by a tax increment financing plan.

Detroit Transportation Corporation (DTC): The DTC was established in 1985 to oversee construction and operation of the Central Automated Transit System (People Mover) in downtown Detroit. The DTC is primarily funded by means of grants from the City.

Greater Detroit Resource Recovery Authority (GDRRA): The GDRRA was established by the cities of Detroit and Highland Park for the acquisition, construction, and operation of a waste-to-energy facility. The financing was provided by the issuance of revenue bonds.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

A – Reporting Entity, Continued:

Complete financial statements of the individual component units can be obtained directly from their administrative offices.

Administrative Offices

Downtown Development Authority
211 West Fort Street, Suite 900
Detroit, MI 48226
(313) 963-2940

School District of the City of Detroit
5057 Woodward
Detroit, MI 48202
(313) 494-1000

Economic Development Corporation
211 West Fort Street, Suite 900
Detroit, MI 48226
(313) 963-2940

Tax Increment Finance Authority
211 West Fort Street, Suite 900
Detroit, MI 48226
(313) 963-2940

Local Development Finance Authority
211 West Fort Street, Suite 900
Detroit, MI 48226
(313) 963-2940

Detroit Transportation Corporation
1420 Washington Blvd., 3rd Floor
Detroit, MI 48226
(313) 224-2160

Museum of African American History
315 East Warren Avenue
Detroit, MI 48201
(313) 494-5800

Greater Detroit Resource Recovery Authority
5700 Russell St.
Detroit, MI 48211
(313) 876-0449

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

A – Reporting Entity, Continued:

Condensed Financial Statements: The following are the condensed financial statements as of and for the ended June 30, 1999 for each of the discretely presented Component Units

Condensed Balance Sheet:

	Downtown Development Authority	Economic Development Corporation	Local Development Finance Authority	Museum of African American History
Assets:				
Current Assets.....	\$ 191,669,054	\$ 337,965	\$ 3,968,970	\$ 2,085,659
Restricted Assets.....	81,262,434	186,076,917	56,673,908	40,452
Deferred Charges.....	-	-	-	-
Long -Term Assets.....	4,441,834	-	-	-
Property - Net.....	7,597,200	-	-	684,221
Amounts Available for Long -Term				
Debt - Principal Only.....	-	-	-	-
Amount to be Provided for General				
Long -Term Obligations.....	222,493,198	13,877,176	104,220,000	-
Total Assets.....	<u>\$ 507,463,720</u>	<u>\$ 200,292,058</u>	<u>\$ 164,862,878</u>	<u>\$ 2,810,332</u>
Liabilities and Deferred Revenue:				
Current Liabilities.....	\$ 9,320,191	\$ 180,098	\$ -	\$ 1,153,487
Restricted Liabilities.....	-	1,384,320	46,869,964	-
Non-Current Debt Payable-Net.....	220,578,649	13,877,176	104,220,000	-
Other Long-Term Liabilities.....	15,760	-	-	-
Capital Leases Payable.....	-	-	-	-
Deferred Revenue.....	-	152,470,955	-	-
Total Liabilities and Deferred Revenue.....	229,914,600	167,912,549	151,089,964	1,153,487
Fund Equity and Other Credits:				
Contributed Capital - Net.....	-	-	-	-
Investments in Fixed Assets.....	7,597,200	-	-	684,221
Retained Earnings (Deficit) - Unreserved.....	-	-	-	-
Fund Balance:				
Reserved.....	-	18,244,466	-	270,631
Unreserved.....	269,951,920	14,135,043	13,772,914	701,993
Total Equity and Other Credits.....	277,549,120	32,379,509	13,772,914	1,656,845
Total Liabilities, Deferred Revenue, Fund Balance and Other Credits.....	<u>\$ 507,463,720</u>	<u>\$ 200,292,058</u>	<u>\$ 164,862,878</u>	<u>\$ 2,810,332</u>

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

A – Reporting Entity, Continued:

Condensed Balance Sheet, Continued:

School District of the City of Detroit	Tax Increment Finance Authority	Detroit Transportation Corporation	Greater Detroit Resource Recovery Authority	Total
\$ 925,005,163	\$ -	\$ 8,715,746	\$ -	\$ 1,131,782,557
-	15,258,520	8,572,494	186,943,034	534,827,759
-	-	-	4,267,853	4,267,853
-	-	-	16,006,071	20,447,905
1,047,855,534	-	110,930,857	423,285,730	1,590,353,542
24,108,365	-	-	-	24,108,365
701,264,638	-	-	-	1,041,855,012
<u>\$ 2,698,233,700</u>	<u>\$ 15,258,520</u>	<u>\$ 128,219,097</u>	<u>\$ 630,502,688</u>	<u>\$ 4,347,642,993</u>
\$ 116,283,957	\$ -	\$ 3,472,249	\$ -	\$ 130,409,982
225,733,081	-	8,973,100	20,555,504	303,515,969
514,655,920	-	-	481,614,128	1,334,945,873
199,848,359	-	-	148,629,956	348,494,075
10,868,724	-	-	-	10,868,724
121,517,048	-	1,274,212	-	275,262,215
1,188,907,089	-	13,719,561	650,799,588	2,403,496,838
-	-	111,254,052	-	111,254,052
1,047,855,534	-	-	-	1,056,136,955
-	-	3,245,484	(20,296,900)	(17,051,416)
461,471,077	-	-	-	479,986,174
-	15,258,520	-	-	313,820,390
<u>1,509,326,611</u>	<u>15,258,520</u>	<u>114,499,536</u>	<u>(20,296,900)</u>	<u>1,944,146,155</u>
<u>\$ 2,698,233,700</u>	<u>\$ 15,258,520</u>	<u>\$ 128,219,097</u>	<u>\$ 630,502,688</u>	<u>\$ 4,347,642,993</u>

City of Detroit
NOTES TO GENERAL PURPOSE STATEMENTS, Continued
June 30, 1999

A – Reporting Entity, Continued:

Receivable and payable balances between the primary government and Component Units at June 30, 1999 were as follows:

	Economic Development Corporation	Local Development Finance Authority	Greater Detroit Resource Recovery Authority	Tax Increment Finance Authority	School District of the City of Detroit	Total
Due from Primary Government:						
Current Assets.....	\$ 100,000	\$ 3,968,970	\$ -	\$ -	\$ 535,469	\$ 4,604,439
Restricted Assets.....	312,620	-	-	4,804,592	-	5,117,212
Total Due from Primary Government.....	\$ 412,620	\$ 3,968,970	\$ -	\$ 4,804,592	\$ 535,469	\$ 9,721,651
Due to Primary Government:						
Payable from Current Assets..	\$ -	\$ -	\$ -	\$ -	\$ 4,275,014	\$ 4,275,014
Payable from Restricted Assets.....	-	46,869,964	1,159,453	-	-	48,029,417
Total Due to Primary Government.....	\$ -	\$ 46,869,964	\$ 1,159,453	\$ -	\$ 4,275,014	\$ 52,304,431

Condensed Statement of Revenues, Expenditures and Changes in Fund Equity for the Year ended June 30, 1999
for Governmental Component Units:

	Downtown Development Authority	Economic Development Corporation	Local Development Finance Authority	Museum of African American History	School District of the City of Detroit	Tax Increment Finance Authority	Total
Revenues..	\$ 49,059,725	\$ 8,657,271	\$ 8,146,284	\$ 3,947,720	\$ 1,501,531,479	\$ 8,012,645	\$ 1,579,355,124
Expenditures.....	53,915,699	6,293,465	8,452,321	6,406,252	1,562,805,876	1,285,832	1,639,159,445
Excess (Deficiency) of Revenues							
Over (Under) Expenditures..	\$ (4,855,974)	\$ 2,363,806	\$ (306,037)	\$ (2,458,532)	\$ (61,274,397)	\$ 6,726,813	\$ (59,804,321)
Other Financing Sources:							
Transfer from Primary Government....	-	-	3,354,183	1,650,000	-	4,898,141	9,902,324
Operating Transfer in	-	-	-	-	11,541,759	-	11,541,759
Bond Proceeds	122,520,000	-	51,152,607	-	378,072,157	-	551,744,764
Capital Lease Acquisition.....	-	-	-	-	2,613,195	-	2,613,195
Total Other Financing Sources.....	122,520,000	-	54,506,790	1,650,000	392,227,111	4,898,141	575,802,042
Other Financing Uses:							
Operating Transfer Out	-	-	-	-	11,541,759	-	11,541,759
Transfer to Primary Government.....	-	-	46,869,964	-	-	8,059,312	54,929,276
Payment to Refunded Debt Escrow..	65,124,175	-	-	-	84,665,000	-	149,789,175
Total Other Financing Uses.....	65,124,175	-	46,869,964	-	96,206,759	8,059,312	216,260,210
Total Other Financing							
Sources (Uses).....	57,395,825	-	7,636,826	1,650,000	296,020,352	(3,161,171)	359,541,832
Excess (Deficiency) of Revenues and							
Other Financing Sources Over							
(Under) Expenditures and							
Other Financial Uses.....	52,539,851	2,363,806	7,330,789	(808,532)	234,745,955	3,565,642	299,737,511
Fund Equity (Deficit at Beg. of Year)	225,009,269	30,015,703	6,442,125	2,465,377	1,274,580,656	11,692,878	1,550,206,008
Fund Equity (Deficit at End of Year).....	\$ 277,549,120	\$ 32,379,509	\$ 13,772,914	\$ 1,656,845	\$ 1,509,326,611	\$ 15,258,520	\$ 1,849,943,519

Condensed Statement of Revenues, Expenses and Changes in Retained Earnings for the Year ended June 30, 1999
for Proprietary Component Units:

	Detroit Transportation Corporation	Greater Detroit Resource Recovery Authority	Total
Operating Revenues	\$ 323,732	\$ 106,112,140	\$ 106,435,872
Operating Expenses:			
Depreciation.....	7,228,320	14,683,084	21,911,404
Other	9,209,969	52,015,382	61,225,351
Operating Income (Loss) ..	(16,114,557)	39,413,674	23,299,117
Non-Operating Revenues (Expenses) - Net	335,916	(29,085,200)	(28,749,284)
Operating Transfers from Primary Government	9,311,495	-	9,311,495
Net Income (Loss)	(6,467,146)	10,328,474	3,861,328
Depreciation of Fixed Assets Acquired by Grants.....	6,978,664	-	6,978,664
Increase (Decrease) in Operations.....	511,518	10,328,474	10,839,992
Accumulated Retained Earnings (Deficit) - Beginning of Year	2,733,966	(30,625,374)	(27,891,408)
Accumulated Retained Earnings (Deficit) - End of Year	3,245,484	(20,296,900)	(17,051,416)
Contributed Capital - Beginning of Year:	118,232,716	-	118,232,716
Depreciation of Fixed Assets Acquired by Contributed Capital.....	(6,978,664)	-	(6,978,664)
Contributed Capital - End of Year.....	111,254,052	-	111,254,052
Total Equity - End of Year.....	\$ 114,499,536	\$ (20,296,900)	\$ 94,202,636

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

A – Reporting Entity, Continued:

Joint Venture: The Detroit-Wayne Joint Building Authority (DWJBA) was created as a corporate instrumentality in 1948 by agreement between the City and the County. All revenues or other monies received by the DWJBA must be disbursed for specific purposes in accordance with agreements with the incorporating units and the holders of the bonds. In March 1988, the City and County agreed to a consent judgment whereby the County's equity in the ownership of a portion of the space in the Coleman A. Young Municipal Center was transferred to the City. As a result, the fixed asset costs are recorded within the City's General Fixed Assets Account Group.

The DWJBA is party to a lease agreement that extends to March 1, 2028 for rental of the Coleman A. Young Municipal Center to the City and the County. The lease provides that the DWJBA shall maintain and operate the building, the expenditures of which are to be reimbursed by the City and County on the basis of the building space allocations specified in the lease.

Complete financial statements of the DWJBA may be obtained by writing the DWJBA at the following address:

Detroit – Wayne Joint Building Authority
1316 Coleman A. Young Municipal Center
Detroit, MI 48226

B – Measurement Focus, Basis of Accounting, and Basis of Presentation:

Basis of Presentation — Fund Accounting: Limitations and restrictions are placed on the various resources made available to the City. The accounts of the City are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is intended to aid management in demonstrating compliance with finance – related legal and contractual provisions. The minimum number of funds that are maintained should be consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The City has the following fund types and account groups:

Governmental Funds:

Governmental fund types are used to account for the City's general governmental activities that are controlled by legally required budgets. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual method, revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or as soon enough thereafter to pay liabilities of the current period.

Expenditures are recognized in the accounting period in which the liability is incurred, except expenditures for debt service on long-term debt, which is recognized when paid.

Governmental funds include the following types:

The *General Fund* accounts for all financial resources and expenditures except those required to be accounted for in other funds. The General Fund is the City's primary operating fund.

The *Special Revenue Funds* account for the proceeds of specific revenue sources (other than Expendable Trusts or major Capital Projects) requiring separate accounting because of legal or regulatory restrictions or administrative action. These operations are accounted for in the Community Development Block Grant, Detroit Building

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

B – Measurement Focus, Basis of Accounting, and Basis of Presentation, Continued:

Authority, Drug Law Enforcement, Empowerment Zone Fund, Federal Employment and Training, Library, Major and Local Street, Human Services and Supportive Housing Programs and Homeless Initiatives Funds.

The *Debt Service Fund* accounts for the servicing of general long-term obligations not being financed by proprietary or similar trust funds.

The *Capital Projects Fund* accounts for the acquisition, construction, and renovation of facilities and other infrastructure projects.

Proprietary Funds:

Proprietary fund types are accounted for on the flow of economic resources measurement focus and use of accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City applies all applicable Financial Accounting Standards Board (FASB) pronouncements in accounting and reporting for its proprietary operations. Proprietary funds include the following fund types:

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private businesses or where the board has decided that the determination of revenues earned, cost incurred, and/or net income is necessary for management accountability. These operations are accounted for in the Airport, Automobile Parking, Housing, Sewage Disposal, Transportation, and Water funds.

Fiduciary Funds:

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. Trust fund accounts for assets held by the City under the terms of a formal trust agreement. Fiduciary funds include the following:

- *Pension Funds:* To account for contributions received, invested, and expended for the General Systems and the Policemen and Firemen Retirement System.
- *Trust and Agency Funds:* These funds are custodial in nature and do not present results of operations or have a measurement focus. Expendable Trust and Agency funds are accounted using the modified accrual basis of accounting. These funds are used to account for assets that the City holds for others in an agency capacity. Trust and Agency Funds are comprised of five funds (Employee Benefit, Budget Stabilization, Employees Disability Income Protection, Condemnation Awards, and Other Trust Funds).

Account Groups:

- *General Fixed Assets Account Group:* This account group is used to account for fixed assets not accounted for in the proprietary or trust funds.
- *General Long-term Debt Account Group:* This account group is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

B – Measurement Focus, Basis of Accounting and Basis of Presentation, Continued:

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of such revenues. In one, funds must be expended on the specific purpose or project before any amounts will be paid to the City, therefore, revenues are recognized when qualifying expenditures are incurred. In the other, funds are virtually unrestricted as to the purpose of the expenditure and are usually revocable only for failure to comply with prescribed requirements. These funds are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Licenses and permits, charges for services, fines and forfeits, and miscellaneous revenues (except investment earnings) are recorded as revenues when received in cash, including the 60 day period after year end, because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

The Proprietary Funds, Pension Funds, and Agency Funds utilize the accrual basis of accounting.

As allowed by GASB Statement No. 20, the City's proprietary funds follow all GASB pronouncements and Financial Accounting Standards Board Statements and Interpretations, Accounting Principal Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Litigation and Claims: The City's policy is to accrue for settlements or judgments on lawsuits and other claims as expenditures when the amount of the liability is probable and reasonably estimable. The Governmental Funds include a provision for liabilities incurred during the current fiscal year or settled or adjudicated during the first 60 days subsequent to year end in the related Governmental Funds' financial statements. The Governmental Fund type liabilities not liquidated or adjudicated 60 days subsequent to year end were estimated to approximate \$136 million at June 30, 1999 and are accounted for in the General Long-Term Obligations Account Group. Both the current and non-current portions of such liabilities for Proprietary Funds are included in the financial statements of the applicable Funds (See Notes III-O and III-P for additional information regarding litigation and claims)

Capitalized Interest: The Enterprise Funds capitalize qualifying net interest costs on bonds issued for capital construction in accordance with Statement of Financial Accounting Standards Nos. 34 and 62. Capitalized interest for the year ended June 30, 1999 for the Sewage Disposal and Water funds was \$14,568,277 and \$12,147,252, respectively.

C – Assets, Liabilities, and Equity:

- 1. Cash and Investments:** Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are valued at their fair value plus accrued interest in accordance with GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Statement of Cash Flows: For purposes of reporting cash flows, the City considers "cash" as cash on deposit in financial institutions, including restricted assets.

- 2. Interfund Receivables and Payables:** During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Related receivables and payables are classified as "Due from Other Funds" or "Due to Other Funds" on the balance sheet.

Non-recurring or non-routine transfers of equity between funds are reported as additions to or deductions from the fund balance of Governmental Funds. Transfers of equity to Proprietary Funds are treated as contributed

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

C – Assets, Liabilities, and Equity, Continued:

capital as appropriate in the circumstances. All other legally authorized transfers are treated as operating transfers and are included in the results of operations of both Governmental and Proprietary funds.

3. **Inventories:** Cost of inventories of the governmental type funds is recorded as expenditures at the time of purchase. Inventories at year end for the General, Library, and Major and Local Street funds are recorded in the balance sheet at cost or market, whichever is lower, based on a physical inventory, with a Reserve for Inventories in fund balance by the related fund. Inventories of the Enterprise Funds are stated at the lower of cost or market and expensed when used
4. **Restricted Assets and Retained Earnings — Reserved:** Restricted assets are accumulated in each fund, in accordance with bond ordinance provisions or other restrictive covenants. Reserved retained earnings represent the excess of restricted assets, except bond proceeds, over related liabilities payable therefrom.
5. **Fixed Assets and Long-Term Liabilities:** The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All Governmental Funds and Expendable Trust Funds are accounted for on a spending or “financial flow” measurement focus. This means only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of “available spendable resources”. Governmental Fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they present a summary of sources and uses of “available resources” during a period

Fixed assets used in Governmental Fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group rather than in Governmental Funds. These fixed assets are separated by categories of land, buildings, improvements other than buildings, and machinery and equipment. Public domain (“infrastructure”) general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are excluded from the general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost, or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. The City follows the policy of capitalizing interest cost associated with asset construction for all non-general fixed assets, except for the Housing Fund’s fixed assets, which receive Federal subsidies for debt service.

Long-term liabilities expected to be financed from Governmental Funds are accounted for in the General Long-Term Obligations Account Group

The two Account Groups are not “Funds”. They are concerned only with the measurement of financial position. They are not involved with the measurement of results of operations.

All Proprietary Funds and Pension Funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital (grants and donated capital) and retained earnings (accumulated deficit) components. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by Proprietary Funds is charged as an expense against operations. Accumulated depreciation is reported on Proprietary Fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method.

C – Assets, Liabilities, and Equity, Continued:

Buildings	20 - 50years
Improvements	5 - 66 2/3 years
Vehicles and Equipment	4 - 20years
Mains, Interceptors and Regulators	66 2/3 - 100 years

7. **Municipal Income Taxes:** The City levies an annual income tax. The rate consists of an annualized tax of 2.95% on income of residents of the City, 1.95% on corporate income earned in the City, and 1.475% on income earned in the City by non-residents. The resident rate will be lowered by 1/10 of a percentage point in each of the next ten years starting 6-30-99, while the corporate and non-resident rate will decrease by 1/2 of a percent over the same period. After the ten-year period, the residential rate will be 2%, the corporate rate will be 1.5%, and the non-resident rate will be 1%. Municipal income taxes are accrued for income tax withholdings collected by employers but not yet remitted to the City. Estimated refunds for income tax returns received and in process, in which payment has not been made, are recorded as a reduction of revenues. Income tax assessment receivable represents estimated additional taxes assessed as a result of tax return audits or failure to file a return.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

C – Assets, Liabilities, and Equity, Continued:

8. **Utility Users' Taxes Receivable:** The City records Utility Users' Tax revenues when they become available. Available is defined as due and receivable within the current fiscal year or expected to be collected within 60 days thereafter
9. **Bonds:** General obligation bonds are obligations of the City as a whole and not its individual constituent funds. Accordingly, such obligations, which are backed by the full faith and credit of the City, are accounted for in the General Long-Term Obligations Account Group, except for issues of general obligation bonds, the proceeds from which were used to purchase operating assets for Enterprise Funds.
10. **Compensated Absences:** The City records as a liability estimated vested vacation, sick pay, banked overtime and furlough time in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. For Funds other than the Transportation Fund, unused vacation pay and banked overtime accumulates up to a maximum level until termination of employment, while there is no vesting of sick pay until an employee reaches age 60 or completes 25 years of service. Furlough time is awarded to uniformed police and fire employees at the beginning of two semi-annual periods. Any unused furlough time remaining at the end of each semi-annual period is forfeited. For the Transportation Fund, unused vacation pay accumulates for each employee up to a maximum level. Once this level is attained, unused vacation must be used or the employee loses a portion of the vacation pay.

The non-current portion of liabilities for accrued vacation, vested sick leave, and banked overtime for Governmental Funds approximated \$111.5 million at June 30, 1999 and has been included in the General Long-Term Obligations Account Group. The current portion of such amounts, which is the portion payable from available expendable resources of Governmental Funds, has been recorded in such funds. Both the current and non-current portion of such liabilities for Proprietary Funds is included in the financial statements of the applicable funds.

11. **Workers' Compensation:** The City is self-insured for workers' compensation claims. The workers' compensation liabilities are recorded when the occurrences of the liabilities are probable and reasonably estimable. The amounts recorded as of June 30, 1999 are based on compensation and medical costs expected to be paid for all claims known as of the balance sheet date and an estimate of unknown claims based on historical data. For the Governmental Funds, claims settled or adjudicated during the current fiscal year or settled or adjudicated during the first 60 days subsequent to year end are recorded in the related Governmental Funds' financial statements. The Governmental Funds' liabilities not liquidated or adjudicated 60 days subsequent to year end approximated \$46.2 million and are accounted for in the General Long-Term Obligations Account Group. Both the current and non-current portions of the workers' compensation liabilities for Proprietary Funds are included in the financial statements of the applicable funds.
12. **Memorandum Only — Total Columns:** Total columns on the general purpose financial statements are captioned as "memorandum only" and are the aggregate of the funds, account groups, and component units. Data in these columns do not fairly present financial position, results of operations, or changes in cash flows in accordance with generally accepted accounting principles. No consolidation or other elimination was made in arriving at the totals; thus, total data do not present consolidated information. The data are presented only to facilitate financial analysis.
13. **Reclassification:** Certain amounts in the prior year data have been reclassified in order to be consistent with the current year's presentation.
14. **Fund Balance Restatement:** During the fiscal year, the Michigan Legislature enacted Public Act 10 of 1999 (the Act), which went into effect on March 26, 1999. The Act suspended the powers and duties of the District's elected board and required the Mayor to appoint six members of a seven-member reform board within 30 days of the date the Act took effect. The Act specifies that the seventh member of the reform board is the

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

C – Assets, Liabilities, and Equity, Continued:

State Superintendent of Public Instruction of the State of Michigan. The Act further transferred substantially all powers and duties of the elected board to the Chief Executive Officer appointed by the reform board. As a result of this action, the City has included the District as a component unit for the first time in the 1999 financial statements. The net impact of the change resulted in an increase in the Component Units fund balance at the beginning of the year of \$1,274,580,656.

The Component Units fund balance has been restated as a result of the omission of Amounts to be Provided for General Long-term Obligations. The individual DDA, EDC, and LDFA funds have been restated for the period ending June 30, 1998. The net impact of the restatement resulted in an increase in fund balance - beginning of the year of \$234,004,169 in the June 30, 1999 financial statements

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A – Budget Process — General and Special Revenue Funds:** The City's annual budget constitutes a financial plan for the next fiscal year which is required to set forth estimated revenues from all sources and all appropriations. Proposed capital appropriations are included in separate sections of the budget. Any surplus or deficit during the preceding year is entered into the budget for the next fiscal year as either revenue (surplus) or appropriation (deficit), in accordance with the City Charter. The total of proposed expenditures cannot exceed the total of estimated revenues so that the budget as submitted is a balanced budget.

On or before April 12 each year, the Mayor submits to the City Council a proposed annual budget for the next fiscal year. A public hearing in the manner provided by law or ordinance is held on the proposed budget before adoption. After the public hearing, the City Council adopts the budget with or without amendment. Consideration of the budget is completed by the City Council not later than May 15. If the Mayor disapproves of amendments made by the City Council, the Mayor, within seven days, submits to the City Council in writing the reasons for the disapproval. The City Council proceeds to reconsider any budget item so disapproved. If, after reconsideration, a two-thirds majority of the City Council serving agrees to sustain any of the City Council's amendments to the budget, those amendments so sustained are of full force and effect. The City Council's reconsideration of the budget must be concluded within three business days after receipt of the Mayor's disapproval.

The adoption of the budget provides for: (1) appropriations of specific amounts from funds indicated, (2) a specific levy of property tax, and (3) provision for the issuance of bonds specified in the capital program. The budget as adopted becomes the basis for establishing revenues and expenditures for the fiscal year. The appropriations for the functions of each City department are fixed. Expenditures may not exceed the original appropriations without City Council approval. If during the fiscal year the Mayor advises the City Council that there are available appropriations and revenues in excess of those estimated in the budget, the City Council may make supplemental appropriations for the year up to the amount of the excess. In the case of estimated revenue shortfalls, the Mayor may request that the City Council decrease certain appropriations. In any case, the Mayor is under no obligation to spend an entire appropriation. Also, at any time during the fiscal year, the City Council, upon written request by the Mayor, may transfer all or part of any unencumbered appropriation balance among programs, services, or activities within an agency or from one agency to another.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, Continued

- B – Budget Matters:** The following is a list of departmental (activity) expenditures for the General Fund in excess of the amended budgets and total expenditures in excess of the amended budgets for the individual funds included in the combined special revenue funds:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Over</u>
General Fund:			
Recreation and Culture:			
Arts	\$ 757,114	\$ 941,185	\$ 184,071
Zoological Park	11,612,264	11,963,782	351,518
Physical Environment:			
Public Lighting.. . . .	60,636,849	62,583,841	1,946,992
Transfer Out:			
Capital Projects Fund	5,063,912	47,647,024	42,583,112
General Debt Service Fund	44,760,589	47,777,008	3,016,419
Airport Fund.....	2,044,602	2,298,079	253,477
Special Revenue Funds:			
Detroit Building Authority.			
Special Area Maintenance.....	677,265	719,879	42,614

- C – Fund Balance:** The fund balances of the General, Special Revenue and Capital Projects funds have been classified to reflect certain limitations and restrictions. Reservations of fund balances are established to signify that certain assets are not presently available for appropriation and expenditure. The City encumbers the amounts required by purchase orders and contracts at the time the purchase orders and contracts are issued. The encumbrances are liquidated when the goods or services are received. While the City is not required to carry unliquidated encumbrances past the end of the fiscal year, it sets aside, as encumbrances within fund balance, an amount equal to the unliquidated encumbrances that the City wishes to carry forward. In the succeeding year, the budget is increased by an amount sufficient to cover the unliquidated encumbrances, and these encumbrances are reinstated.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

- A – Cash and Investments:** Cash deposits are in financial institutions insured as members of the FDIC or NCUA. Cash held by fiscal agents or by trustees is secured in accordance with the covenants of the agency or trust agreement. Cash deposits related to federally funded programs are accounted for in accordance with applicable Federal regulations. Insured cash deposits for primary government and component units amount to \$1,916,899 and \$447,435, respectively.

The City has adopted an official investment policy which is in accordance with State statute, as amended, and conforms to additional restrictions, as specified by certain funds and covenants of bond resolutions. The General Retirement System and the Policemen and Firemen Retirement System Boards of Directors follow the investment policy prescribed by State statute.

In accordance with pronouncements of GASB Statement No. 3, investments are categorized to indicate the level of risk assumed by the City at June 30, 1999:

Category 1: Includes investments, which are insured or registered, or securities held by the City, or its agent in the City's name.

Category 2: Includes investments, which are uninsured, unregistered, and held by an agent in the City's name.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

A – Cash and Investments, Continued:

N/A: Those investments identified by N/A are not categorized because they represent pooled funds

Authorized investments include U S Government obligations, certificates of deposit, savings and depository accounts of insured institutions, commercial paper of certain investment quality, bankers' acceptances, repurchase agreements, and mutual funds of certain investment quality for the City and the Retirement Systems. In addition, the Retirement Systems can invest in secured lease obligations, real and personal property, small business and venture capital firms, preferred stock, common stock, and other investments not specifically excluded by State statute, limited as to portfolio share.

Securities Lending: Under the provisions of Securities Lending Authorization Agreements, the City Pension Funds lend securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The City's custodial banks manage the securities lending program and receive cash, securities, and irrevocable bank letters of credit as collateral. The custodial banks do not have the ability to pledge or sell collateral securities unless the borrower defaults. Borrowers are required to deliver collateral for each loan equal to but not less than 102 % of the market value of the loaned securities.

The City did not impose any restrictions during the fiscal year on the amount of the loans that the custodial banks made on its behalf, and the custodial banks indemnified the City by agreeing to purchase replacement securities or return cash collateral in the event a borrower failed to return the loaned security or pay distributions thereon. There were no such failures by any borrower during the fiscal year. Moreover, there were no losses during the fiscal year resulting from default of the borrowers or the custodial banks.

The City and the borrowers maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan is invested in two separate collective investment pools. The average duration of each investment pool as of June 30, 1999 was 64 and 59 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 1999, the City had no credit risk exposure to borrowers. The collateral held and the market value of securities on loan for the City as of June 30, 1999 were \$222,504,732 and \$214,631,676, respectively.

During the fiscal year ended June 30, 1999, the General Retirement System has, via a Securities Lending Authorization Agreement, authorized State Street Bank and Trust Company to lend securities to broker-dealers and banks pursuant to a form of loan agreement. Cash collateral received in respect of such loans was invested at the discretion of the Board of Trustees of the Retirement System in Quality Funds for Short-term Investments (the Fund), a pooled external vehicle. The fair value of investments held by the Fund is based upon valuations provided by a recognized pricing service. Because the Fund does not meet the requirements of Rule 2a-7 of the Investment Company Act of 1940, State Street has valued the Fund's investment at fair value for reporting purposes. The Fund is not registered with the Securities and Exchange Commission. State Street, and consequently the investment vehicles it sponsors (including the Fund), is subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of the Retirement System's position in the Fund is not the same as the value of the Fund shares. There was no involuntary participation in an external investment pool by the system for the fiscal year. Further, no income from one fund was assigned to another fund by State Street during the fiscal year.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

A – Cash and Investments, Continued:

The following are the City's investment balances at June 30, 1999:

Primary Government:	Category		Market Value
	1	2	
Commercial Paper	\$ 92,703,741	\$ 6,090,251	\$ 98,793,992
U.S. Government Obligations	408,881,593	-	408,881,593
Bonds, Notes, and Stocks	4,234,738,363	-	4,234,738,363
Pooled Investments	1,154,243,387	-	1,154,243,387
Short-Term Investments	330,417,878	-	330,417,878
Mortgage-Backed Securities	203,780,717	-	203,780,717
Repurchase Agreements	41,048,796	-	41,048,796
Certificates of Deposit	38,000,834	-	38,000,834
Other	422,270,323	-	422,270,323
Total	<u>\$ 6,926,085,632</u>	<u>\$ 6,090,251</u>	<u>\$ 6,932,175,883</u>

Investment Not Subject to Categorization (N/A):

Pooled Investments	\$ 207,240,991
Mortgage and Construction Loans	133,739,005
Equity Interest in Real Estate	137,648,074
Bonds, Notes, and Stocks	614,280,329
Total Investments	<u>\$ 1,092,908,399</u>

Component Units:	Category		Market Value
	1	2	
Repurchase Agreements	\$ -	\$ 148,881,262	\$ 148,881,262
Certificates of Deposit	5,700,156	8,619	5,708,775
Commercial Paper	-	433,558,038	433,558,038
U.S. Government Obligations	113,877,893	252,889,231	366,767,124
Bonds, Notes, and Stocks	31,833	-	31,833
Short-Term Investments	67,123,414	-	67,123,414
Pooled Investments	-	2,347,903	2,347,903
Total Investments	<u>\$ 186,733,296</u>	<u>\$ 837,685,053</u>	<u>\$ 1,024,418,349</u>

Certain types of investments, such as money market pooled fund, annuity contracts, mortgage and construction loans, Equity Interest in Real Estate, and certain bonds, notes and stocks are not categorized because they are not evidenced by securities that exist in physical or book-entry

- B – Due from Other Governmental Agencies:** Due from Other Governmental Agencies consists primarily of sales and charges for services to the County, the District, the State of Michigan, and the Federal Government. Additional amounts for grant receivables are due from the State of Michigan and the Federal Government

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

C – Interfund Receivables and Payables:

Interfund receivables and payables at June 30, 1999 are as follows.

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General.....	\$ 95,809,770	\$ 91,244,543
Special Revenue:		
Community Development Block Grant.....	944,933	6,915,003
Detroit Building Authority	1,313,156	820,503
Drug Law Enforcement	-	3,666
Empowerment Zone	-	1,945,526
Federal Employment and Training.....	785,136	1,420,329
Human Services	470,547	1,294,004
Library.....	309,913	5,231,639
Major and Local Street	1,618,401	5,923,170
Supportive Housing Programs and Homeless Initiatives	-	-
Total Special Revenue	<u>5,442,086</u>	<u>23,553,840</u>
General Debt Service	<u>801,766</u>	<u>11,453,880</u>
Capital Projects:		
Capital Projects	47,819,083	2,525,116
Urban Renewal	11,842	1,351,566
Total Capital Projects	<u>47,830,925</u>	<u>3,876,682</u>
Enterprise:		
Airport.....	61,641	528,957
Automobile Parking	132,725	1,055,378
Housing	24,159,617	30,014,977
Sewage Disposal	15,718,358	32,957,775
Transportation	36,810,314	20,155,185
Water	14,838,988	48,063,505
Total Enterprise	<u>91,721,643</u>	<u>132,775,777</u>
Pension and Trust and Agency:		
Pension:		
General Retirement.....	5,460,149	1,621,842
Policemen and Firemen Retirement	709,799	1,650,379
Total Pension	<u>6,169,948</u>	<u>3,272,221</u>
Trust and Agency:		
Employees Benefit	18,912,972	1,194,607
Employees Disability Income Protection.....	682,440	-
Other Trust and Agency.....	-	-
Total Trust and Agency	<u>19,595,412</u>	<u>1,194,607</u>
Total Pension and Trust and Agency.....	<u>25,765,360</u>	<u>4,466,828</u>
Totals	<u>\$ 267,371,550</u>	<u>\$ 267,371,550</u>

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

D – Fixed Assets:

General Fixed Assets: General fixed asset activity for the fiscal year ended June 30, 1999 is as follows

<u>Class</u>	<u>Balance June 30, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 1999</u>
Land	\$ 631,786,477	\$ -	\$ -	\$ 631,786,477
Buildings	601,924,083	-	-	601,924,083
Improvements Other than Buildings .	30,692,636	-	-	30,692,636
Machinery and Equipment.	127,808,961	70,659,304	9,966,394	188,501,871
Construction Work in Progress.	139,566,095	27,534,855	41,953,576	125,147,374
Total	<u>\$1,531,778,252</u>	<u>\$ 98,194,159</u>	<u>\$ 51,919,970</u>	<u>\$1,578,052,441</u>

Construction work in progress at June 30, 1999 is composed of the following

	<u>Project Authorization</u>	<u>Expended to June 30, 1999</u>	<u>Committed</u>	<u>Required Future Financing</u>
Public Protection	\$ 19,668,521	\$ 14,337,005	\$ 5,331,516	None
Municipal Facilities.	27,820,880	26,462,073	1,358,807	None
Cultural and Recreational	85,561,513	76,160,692	9,400,821	None
Human Services.....	889,360	877,881	11,479	None
Municipal Services.	7,309,723	7,309,723	-	None
Total.....	<u>\$ 141,249,997</u>	<u>\$125,147,374</u>	<u>\$ 16,102,623</u>	

Proprietary Funds Fixed Assets: A summary of proprietary fund type property, plant, and equipment at June 30, 1999 is as follows

Land	\$ 57,351,242
Structures and Improvements.....	1,358,279,868
Mains, Interceptors, and Regulators	963,332,614
Equipment.....	767,526,880
Construction in Progress	846,949,908
Total before Depreciation.....	3,993,440,512
Less Accumulated Depreciation	(1,376,444,622)
Total	<u>\$ 2,616,995,890</u>

Component Units Fixed Assets: A summary of component units property, plant, and equipment at June 30, 1999 is as follows:

Land	\$ 121,373,970
Buildings.....	1,288,888,791
Improvements Other than Buildings	173,268,238
Equipment and Miscellaneous	197,436,127
Total before Depreciation.....	1,780,967,126
Less Accumulated Depreciation	(190,613,584)
Total	<u>\$ 1,590,353,542</u>

E – Deferred Revenue: Deferred revenue represents revenue received, but for which the revenue recognition criteria have not been met. Accordingly, these revenues are deferred until such time as the revenue recognition criteria are met.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

G – Long-Term Obligations, Continued:

	Balance June 30, 1998	Increase	Decrease	Balance June 30, 1999
Loan Payable — GE Capital — Election System	\$ 3,306,562	\$ -	\$ 159,892	\$ 3,146,670
Loan Payable — IBM Credit Corporation	52,700,000	-	1,964,481	50,735,159
Self-Insurance Bonds	84,445,000	-	10,975,000	73,470,000
Total Long-Term Debt	912,478,097	47,398,567	57,425,274	902,451,390
Other Long-Term Obligations				
Accrued Compensated Absences	106,203,000	5,320,621	-	111,523,621
Claims and Judgments	120,021,938	16,397,839	-	136,419,777
Worker's Compensation	56,557,107	-	10,378,443	46,178,664
Total Other Long-Term Obligations . . .	282,782,045	21,718,460	10,378,443	294,122,062
Total General Long-Term Obligations	<u>\$ 1,195,260,142</u>	<u>\$ 69,117,027</u>	<u>\$ 67,803,717</u>	<u>\$ 1,196,573,452</u>

Long-Term Obligations — Enterprise Funds:

	Balance June 30, 1998	Increase	Decrease	Balance June 30, 1999
Long-Term Debt				
General Obligation Bonds —				
Detroit Building Authority				
Parking and Arena System	\$ 39,475,000	\$ 27,000,000	\$ 3,420,000	\$ 63,055,000
Housing Bonds (Guaranteed by the				
Federal Government)	7,235,000	-	455,000	6,780,000
Sewage Disposal System Bonds	800,452,012	140,584,254	149,975,000	791,061,266
Water Supply System Bonds	690,301,390	-	11,135,000	679,166,390
Notes Payable — Housing Fund	76,071,810	-	26,302	76,045,508
Total Long-Term Debt	1,613,535,212	167,584,254	165,011,302	1,616,108,164
Other Long-Term Obligations				
Accrued Compensated Absences	19,175,366	5,900,025	4,885,488	20,189,903
Accrued Public Liability and				
Worker's Compensation ..	53,821,410	6,654,437	6,179,351	54,296,496
Total Other Long-Term Obligations	72,996,776	12,554,462	11,064,839	74,486,399
Total Long-Term Obligations	<u>\$ 1,686,531,988</u>	<u>\$ 180,138,716</u>	<u>\$ 176,076,141</u>	<u>\$ 1,690,594,563</u>

The indebtedness with interest rates which range from 4 40% to 8.25% for the General Long-Term Debt and 2.00% to 7 40% for Long-Term Debt — Enterprise Funds is repayable as follows:

Year Ending	General Long-Term Debt		Long-Term Debt — Enterprise Funds	
	Principal	Interest	Principal	Interest
2000	\$ 94,132,575	\$ 48,702,444	\$ 34,865,169	\$ 80,851,661
2001	74,890,501	45,245,019	40,368,816	77,712,514
2002	78,543,714	40,912,864	41,087,177	75,617,608
2003	85,768,090	36,264,445	44,050,056	73,130,380
2004	75,601,638	31,465,642	45,206,994	71,023,529
2005 to 2009	295,924,872	99,601,724	247,739,128	306,249,239
2010 to 2014	148,550,000	32,464,365	279,256,948	245,449,158
2015 to 2019	46,365,000	6,720,820	301,813,943	176,539,249
2020 to 2024	2,675,000	152,578	364,760,000	89,933,744
2025 to 2028	-	-	141,291,149	16,081,560
Total	<u>\$ 902,451,390</u>	<u>\$ 341,529,901</u>	<u>\$ 1,540,439,380(a)</u>	<u>\$ 1,212,588,642</u>

(a) Does not include \$75,668,784 of Housing Notes for which the Housing Fund anticipates ultimate forgiveness by the United States Department of Housing and Urban Development (HUD) under Public Law 99-272, though no effective date for such forgiveness has been determined

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

G – Long-Term Obligations, Continued:

	Balance June 30, 1998	Increase	Decrease	Balance June 30, 1999
Loan Payable — GE Capital — Election System	\$ 3,306,562	\$ -	\$ 159,892	\$ 3,146,670
Loan Payable — IBM Credit Corporation	52,700,000	-	1,964,481	50,735,159
Self-Insurance Bonds	84,445,000	-	10,975,000	73,470,000
Total Long-Term Debt	912,478,097	47,398,567	57,425,274	902,451,390
Other Long-Term Obligations				
Accrued Compensated Absences	106,203,000	5,320,621	-	111,523,621
Claims and Judgments	120,021,938	16,397,839	-	136,419,777
Worker's Compensation	56,557,107	-	10,378,443	46,178,664
Total Other Long-Term Obligations . . .	282,782,045	21,718,460	10,378,443	294,122,062
Total General Long-Term Obligations	<u>\$ 1,195,260,142</u>	<u>\$ 69,117,027</u>	<u>\$ 67,803,717</u>	<u>\$ 1,196,573,452</u>

Long-Term Obligations — Enterprise Funds:

	Balance June 30, 1998	Increase	Decrease	Balance June 30, 1999
Long-Term Debt				
General Obligation Bonds —				
Detroit Building Authority				
Parking and Arena System	\$ 39,475,000	\$ 27,000,000	\$ 3,420,000	\$ 63,055,000
Housing Bonds (Guaranteed by the				
Federal Government)	7,235,000	-	455,000	6,780,000
Sewage Disposal System Bonds	800,452,012	140,584,254	149,975,000	791,061,266
Water Supply System Bonds	690,301,390	-	11,135,000	679,166,390
Notes Payable — Housing Fund	76,071,810	-	26,302	76,045,508
Total Long-Term Debt	1,613,535,212	167,584,254	165,011,302	1,616,108,164
Other Long-Term Obligations				
Accrued Compensated Absences	19,175,366	5,900,025	4,885,488	20,189,903
Accrued Public Liability and				
Worker's Compensation ..	53,821,410	6,654,437	6,179,351	54,296,496
Total Other Long-Term Obligations	72,996,776	12,554,462	11,064,839	74,486,399
Total Long-Term Obligations	<u>\$ 1,686,531,988</u>	<u>\$ 180,138,716</u>	<u>\$ 176,076,141</u>	<u>\$ 1,690,594,563</u>

The indebtedness with interest rates which range from 4 40% to 8.25% for the General Long-Term Debt and 2.00% to 7 40% for Long-Term Debt — Enterprise Funds is repayable as follows:

Year Ending	General Long-Term Debt		Long-Term Debt — Enterprise Funds	
	Principal	Interest	Principal	Interest
2000	\$ 94,132,575	\$ 48,702,444	\$ 34,865,169	\$ 80,851,661
2001	74,890,501	45,245,019	40,368,816	77,712,514
2002	78,543,714	40,912,864	41,087,177	75,617,608
2003	85,768,090	36,264,445	44,050,056	73,130,380
2004	75,601,638	31,465,642	45,206,994	71,023,529
2005 to 2009	295,924,872	99,601,724	247,739,128	306,249,239
2010 to 2014	148,550,000	32,464,365	279,256,948	245,449,158
2015 to 2019	46,365,000	6,720,820	301,813,943	176,539,249
2020 to 2024	2,675,000	152,578	364,760,000	89,933,744
2025 to 2028	-	-	141,291,149	16,081,560
Total	<u>\$ 902,451,390</u>	<u>\$ 341,529,901</u>	<u>\$ 1,540,439,380(a)</u>	<u>\$ 1,212,588,642</u>

(a) Does not include \$75,668,784 of Housing Notes for which the Housing Fund anticipates ultimate forgiveness by the United States Department of Housing and Urban Development (HUD) under Public Law 99-272, though no effective date for such forgiveness has been determined

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

- F – Fund Deficits:** The Airport, Housing, and Transportation funds (Enterprise Funds) and the Greater Detroit Resource Recovery Authority (Component Units) each had retained deficits/fund balance deficits at June 30, 1999. Each fund has a deficit reduction plan, which includes, among other things, subsidies from the General Fund and improved operations.
- G – Long-Term Obligations:** Long-term obligations are reported by the City as General Long-Term Obligations if the obligation is to be repaid from Governmental Fund resources or as Long-Term Obligations — Enterprise Funds if the obligation is to be repaid from funds other than Governmental Fund resources.

The Michigan Constitution established the authority, subject to constitutional and statutory prohibition, for municipalities to incur debt for public purposes. The City is subject to the Home Rule Act, Act 279 Public Acts of Michigan, 1909, as amended, which limits the net indebtedness incurred for all public purposes to as much as, but not to exceed, the greater of the following: (a) 10% of the assessed value of all the real and personal property in the City; or (b) 15% of the assessed value of all the real and personal property in the City if that portion of the total amount of indebtedness incurred which exceeds 10% is, or has been, used solely for the construction or renovation of hospital facilities.

The various bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverage.

The changes in General Long-Term Obligations for the year ended June 30, 1999 were as follows:

General Long-Term Obligations:

	Balance June 30, 1998	Increase	Decrease	Balance June 30, 1999
Long-Term Debt				
Advances from Detroit Baseball Club	\$ 1,591,681	\$ 145,090	\$ -	\$ 1,736,771
Convention Facility — Cobo				
Center Expansion Revenue Bonds	158,705,000	-	4,440,000	154,265,000
Detroit Building Authority Bonds—				
Madison Center Project	17,910,000	-	613,164	17,296,836
Distributable State Aid Bonds	111,095,000	-	7,695,000	103,400,000
Federal Note — Caraco Pharmaceutical				
Project	8,250,000	-	495,000	7,755,000
Federal Note — Central Industrial Park	33,495,000	-	6,130,000	27,365,000
Federal Note — Ferry Project	-	2,900,000	-	2,900,000
Federal Note — Garfield Project	2,260,000	-	-	2,260,000
Federal Note — Jefferson/Conner				
Revitalization Project	11,500,000	-	2,900,000	8,600,000
Federal Note — Michigan Repacking				
Project	1,500,000	-	25,000	1,475,000
Federal Note — Riverbend Project	1,555,000	-	65,000	1,490,000
Federal Note — Stuberstone Project	400,000	-	5,000	395,000
General Obligation — General Bonds	354,350,000	44,100,000	18,315,000	380,135,000
General Obligation Limited Tax Bonds	20,290,000	-	3,325,000	16,965,000
Loan Payable to Downtown				
Development Authority	33,600,000	-	-	33,600,000
Loan Payable — GE Capital — Airport	-	253,477	-	253,477
Loan Payable — GE Capital — Cobo Hall				
Energy System	15,524,854	-	317,377	15,207,477

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

G – Long-Term Obligations, Continued:

	Balance June 30, 1998	Increase	Decrease	Balance June 30, 1999
Loan Payable — GE Capital — Election System	\$ 3,306,562	\$ -	\$ 159,892	\$ 3,146,670
Loan Payable — IBM Credit Corporation	52,700,000	-	1,964,481	50,735,159
Self-Insurance Bonds	84,445,000	-	10,975,000	73,470,000
Total Long-Term Debt	912,478,097	47,398,567	57,425,274	902,451,390
Other Long-Term Obligations				
Accrued Compensated Absences	106,203,000	5,320,621	-	111,523,621
Claims and Judgments	120,021,938	16,397,839	-	136,419,777
Worker's Compensation	56,557,107	-	10,378,443	46,178,664
Total Other Long-Term Obligations . . .	282,782,045	21,718,460	10,378,443	294,122,062
Total General Long-Term Obligations	<u>\$ 1,195,260,142</u>	<u>\$ 69,117,027</u>	<u>\$ 67,803,717</u>	<u>\$ 1,196,573,452</u>

Long-Term Obligations — Enterprise Funds:

	Balance June 30, 1998	Increase	Decrease	Balance June 30, 1999
Long-Term Debt				
General Obligation Bonds —				
Detroit Building Authority				
Parking and Arena System	\$ 39,475,000	\$ 27,000,000	\$ 3,420,000	\$ 63,055,000
Housing Bonds (Guaranteed by the				
Federal Government)	7,235,000	-	455,000	6,780,000
Sewage Disposal System Bonds	800,452,012	140,584,254	149,975,000	791,061,266
Water Supply System Bonds	690,301,390	-	11,135,000	679,166,390
Notes Payable — Housing Fund	76,071,810	-	26,302	76,045,508
Total Long-Term Debt	1,613,535,212	167,584,254	165,011,302	1,616,108,164
Other Long-Term Obligations				
Accrued Compensated Absences	19,175,366	5,900,025	4,885,488	20,189,903
Accrued Public Liability and				
Worker's Compensation ..	53,821,410	6,654,437	6,179,351	54,296,496
Total Other Long-Term Obligations	72,996,776	12,554,462	11,064,839	74,486,399
Total Long-Term Obligations	<u>\$ 1,686,531,988</u>	<u>\$ 180,138,716</u>	<u>\$ 176,076,141</u>	<u>\$ 1,690,594,563</u>

The indebtedness with interest rates which range from 4 40% to 8.25% for the General Long-Term Debt and 2.00% to 7 40% for Long-Term Debt — Enterprise Funds is repayable as follows:

Year Ending	General Long-Term Debt		Long-Term Debt — Enterprise Funds	
	Principal	Interest	Principal	Interest
2000	\$ 94,132,575	\$ 48,702,444	\$ 34,865,169	\$ 80,851,661
2001	74,890,501	45,245,019	40,368,816	77,712,514
2002	78,543,714	40,912,864	41,087,177	75,617,608
2003	85,768,090	36,264,445	44,050,056	73,130,380
2004	75,601,638	31,465,642	45,206,994	71,023,529
2005 to 2009	295,924,872	99,601,724	247,739,128	306,249,239
2010 to 2014	148,550,000	32,464,365	279,256,948	245,449,158
2015 to 2019	46,365,000	6,720,820	301,813,943	176,539,249
2020 to 2024	2,675,000	152,578	364,760,000	89,933,744
2025 to 2028	-	-	141,291,149	16,081,560
Total	<u>\$ 902,451,390</u>	<u>\$ 341,529,901</u>	<u>\$ 1,540,439,380(a)</u>	<u>\$ 1,212,588,642</u>

(a) Does not include \$75,668,784 of Housing Notes for which the Housing Fund anticipates ultimate forgiveness by the United States Department of Housing and Urban Development (HUD) under Public Law 99-272, though no effective date for such forgiveness has been determined

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

G – Long-Term Obligations, Continued:

The changes in Long-Term Obligations - Component Units for the year ended June 30, 1999 were as follows

Long-Term Obligations - Component Units:

	Balance June 30, 1998	Increase	Decrease	Balance June 30, 1999
Long-Term Debt:				
Downtown Development Authority				
Tax Increment Finance Authority Revenue Bonds	\$ 160,766,198	\$ 122,520,000	\$ 63,593,000	\$ 219,693,198
Trappers Alley Project Note..	2,800,000	-	-	2,800,000
Other Long-Term Obligations	15,432	328	-	15,760
Economic Development Corporation				
Caraco Pharmaceutical - Payable to City of Detroit	9,000,000	-	-	9,000,000
NBD Bank - Letter of Credit	2,995,000	-	1,155,000	1,840,000
New Center Stamping - Payable to City of Detroit	1,724,504	-	65,452	1,659,052
Riverbend Project - Payable to City of Detroit. ...	1,418,467	-	40,343	1,378,124
Greater Detroit Resource Recovery				
Greater Detroit Resource Recovery Bonds	373,120,000	-	20,260,000	352,860,000
Limited Obligation Economic Development Bonds	144,525,000	-	9,595,000	134,930,000
Local Development Finance Authority				
Jefferson/Conner Project	55,300,000	52,205,000	3,285,000	104,220,000
* School District of City of Detroit				
School Building and Site Improvement Bonds	226,625,000	354,869,433	106,653,857	474,840,576
Deficit Funding Bonds ...	35,502,600	-	20,423,100	15,079,500
Energy Conservation Bonds ...	-	21,210,000	425,000	20,785,000
School Bus Purchase Notes for 1994	664,422	-	664,422	-
School Bus Purchase Notes for 1995	4,550,120	-	1,430,000	3,120,120
First Municipal Note ..	-	830,724	-	830,724
Capital Leases	32,547,195	-	21,678,471	10,868,724
Other Long-Term Obligations	109,749,046	90,099,313	-	199,848,359
Total Long-Term Obligations	<u>\$ 1,161,302,984</u>	<u>\$ 641,734,798</u>	<u>\$ 249,268,645</u>	<u>\$ 1,553,769,137</u>

* The School District of the City of Detroit was not included in the June 30, 1998 City of Detroit Financial Statements

The indebtedness with interest rates which range from 3.60% to 9.00% for Long-Term Debt - Component Units is repayable as follows.

<u>Year Ending</u>	<u>Long-Term Debt - Component Units</u>	
	<u>Principal</u>	<u>Interest</u>
2000	\$ 85,906,870	\$ 77,888,355
2001	67,949,150	72,506,190
2002	70,052,376	65,829,229
2003	74,456,728	58,950,605
2004	82,195,363	51,763,367
2005 to 2009	518,857,769	180,662,599
2010 to 2014	180,489,370	86,074,117
2015 to 2019	140,016,343	52,248,158
2020 to 2024	89,681,279	24,757,292
2025 to 2029...	33,431,046	10,286,283
Total ..	<u>\$ 1,343,036,294</u>	<u>\$ 680,966,195</u>

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

G – Long-Term Obligations, Continued:

Bonds Payable:

The following is the schedule of the Bonds Payable at June 30, 1999

	Bond Date	Amount Issued	Retired		Outstanding			
			Interest Rate	Amount	Range of Interest Rates	Maturity Date	Amount	
								Year Ended June 30, 1999
GENERAL OBLIGATION BONDS (Note A)								
General Bonds - Unlimited Tax								
General Obligation								
Series 1989 - A	12/1/89	\$ 36,360,000	7 15 %	\$ 1,835,000	- %	-	\$ -	
Series 1990 - A	10/15/90	60,705,000	8 25	2,440,000	8 50	4/1/00		2,640,000
Series 1990 - B	12/1/90	1,280,000	8 25	615,000	8 30	4/1/00		665,000
Series 1990 - B	12/1/90	10,550,000	-	-	8 25	4/1/01-10		10,550,000 c
Series 1991	11/15/91	11,380,000	7 63	1,555,000	7 75 to 7 875	4/1/00-01		3,480,000
Series 1993	12/1/93	7,030,000	6 35	895,000	6 35	4/1/00-02		3,050,000
Series 1993	12/1/93	19,740,000	6 35	-	6 35	4/1/03-05		3,660,000 c
Series 1995 - A	8/1/95	14,840,000	5 20	1,200,000	5 45 to 6 40	4/1/00-05		11,590,000
Series 1995 - B	8/1/95	102,220,000	5 10	6,885,000	6 00 to 7 00	4/1/00-05		86,115,000
Series 1995 - B	8/1/95	81,230,000	-	-	6 25 to 6 375	4/1/06-11		81,230,000 c
Series 1996 - A	11/1/96	12,105,000	4 60	1,155,000	5 0 to 6 00	4/1/00-06		9,845,000
Series 1996 - A	11/1/96	22,195,000	-	-	5 20 to 6 00	4/1/07-15		22,195,000 c
Series 1996 - B	11/1/96	1,350,000	4 60	130,000	4 40 to 5 00	4/1/00-07		1,095,000
Series 1996 - B	11/1/96	21,975,000	-	-	5 10 to 5 50	4/1/08-15		21,975,000 c
Series 1997 - A	12/15/97	14,645,000	4 50	1,350,000	4 50 to 5 50	4/1/00-07		13,295,000
Series 1997 - A	12/15/97	29,605,000	-	-	5 0 to 5 50	4/1/08-18		29,605,000 c
Series 1997 - B	12/15/97	16,710,000	4 50	255,000	4 50 to 5 50	4/1/00-07		15,950,000
Series 1997 - B	12/15/97	19,095,000	-	-	5 0 to 5 375	4/1/08-14		19,095,000 c
Series 1999 - A	4/1/99	16,080,000	-	-	3 90 to 5 25	4/1/01-09		16,080,000
Series 1999 - A	4/1/99	28,020,000	-	-	5 0 to 5 25	4/1/10-19		28,020,000 c
Distributable State Aid Bonds								
Series 1993	12/1/93	105,015,000	4 40	7,695,000	5 60 to 5 90	5/1/00-09		71,740,000
Series 1993	12/1/93	31,660,000	-	-	4 90 to 5 10	5/1/04-06		31,660,000 c
Total General Bonds - Unlimited Tax								483,535,000
General Bonds - Limited Tax								
General Obligation								
Series 1989 - A	6/1/89	25,575,000	6 60	3,325,000	-	-		-
Series 1997	5/1/97	3,300,000	-	-	4 80 to 5 25	7/15/01-07		3,300,000
Series 1997	5/1/97	13,665,000	-	-	5 35 to 5 75	7/15/08-20		13,665,000 c
Self-Insurance Bonds								
Series 1995 - A	6/1/95	60,000,000	5 30	10,975,000	5 40 to 5 75	5/1/00-03		33,470,000
Series 1995 - B	6/1/95	40,000,000	-	-	Variable	5/1/03-05		40,000,000 c
Total General Bonds - Limited Tax								90,435,000
Total General Bonds								573,970,000
Greater Detroit Resource Authority Bonds -								
Series 1996	3/1/96	406,800,000	4 30	20,260,000	5 0 to 6 25	12/13/99-08		352,860,000
Resource Recovery Project								
Series 1991 - A	10/1/91	23,555,000	6 25	5,095,000	6 35	5/1/00		5,315,000
Series 1991 - A	10/1/91	101,445,000	-	-	6 45 to 6 875	5/1/01		94,575,000 c
Series 1991 - B	10/1/91	46,500,000	-	-	9 00	5/1/01		1,500,000 c
Series 1992	4/24/92	13,700,000	7 00	4,500,000	7 00	5/1/00		5,000,000
Series 1992	4/24/92	31,300,000	-	-	7 0 to 7 75	5/1/01-09		28,540,000 c
Total Resource Recovery Project Bonds								134,930,000
Detroit Building Authority Bonds -								
District Court Madison Center								
Project	9/1/96	2,770,000	-	-	6 15	1/1/04-06		2,770,000
	9/1/96	7,230,000	-	-	6 15	1/1/07-11		7,230,000 c
	9/1/96	1,000,000	-	-	Variable	2/1/11		1,000,000
	9/1/96	6,910,000	7 97	613,164	7 97	8/1/06		6,296,836 c
Total Detroit Building Authority Bonds								17,296,836
Total General Obligation Bonds								1,079,056,836

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

G – Long-Term Obligations, Continued:

Bonds Payable, Continued:

	Bond Date	Amount Issued	Retired		Outstanding		
			Year Ended		June 30, 1999		
			Interest Rate	Amount	Range of Interest Rates	Maturity Date	Amount
REVENUE BONDS							
Housing Revenue Bonds (Guaranteed by the Federal Government) -							
New Housing Authority							
Third Issue	6/1/68	\$ 5,880,000	5 25 %	\$ 205,000	5 25 %	6/1/00-09	\$ 2,660,000 c
Fourth Issue	6/1/70	8,120,000	5 00	250,000	5 00	6/1/00-11	4,120,000
Total Housing Revenue Bonds							6,780,000
Sewage Disposal System Revenue Bonds (Note B)							
Series 1992 - A	6/25/92	4,360,000	2 00	200 000	2 00	4/1/00-13	3 225 000
Series 1992 - B	9/10/92	1,915,000	2 00	85,000	2 00	10/1/99-13	1,505,000
Series 1993 - A	2/15/93	45,850,000	4 35	1,440,000	4 55 to 5 05	7/1/99-03	38,590,000
Series 1993 - A	3/9/93	68,235,000	-	-	5 10 to 5 55	7/1/04-08	32,400,000 c
Series 1993 - A	3/9/93	197,375,000	5 70	130,000,000	5 70	7/1/09-23	67,375,000 c
Series 1993 - B	9/30/93	6,301,948	2 00	300,000	2 00	10/1/99-13	5,141,948
Series 1995 - A	11/1/95	17,515,000	-	-	4 30 to 6 00	7/1/99-05	17,515,000
Series 1995 - A	11/1/95	114,915,000	-	-	5 00 to 5 25	7/1/06-25	114 915 000 c
Series 1995 - B	11/1/95	47,090,000	5 00	7,735,000	4 50 to 5 00	7/1/99-05	27,195,000
Series 1995 - B	11/1/95	78,205,000	-	-	5 00 to 6 25	7/1/06-21	78,205,000 c
Series 1997 - A	6/15/97	73,654,128	-	-	4 20 to 6 00	7/1/99-07	73,654,128
Series 1997 - A	6/15/97	188,840,000	-	-	5 00	7/1/08-27	188,840,000 c
Series 1997 - B	9/30/97	4,505,190	-	-	2 25	10/1/00-19	4,505,190
Series 1998 - A	12/10/98	69,000,000	-	-	Variable	7/1/00-23	69,000,000 c
Series 1998 - B	12/10/98	68,995,000	-	-	Variable	10/1/00-19	68,995,000 c
Total Sewage Disposal System Revenue Bonds							791,061,266
Water Supply System Revenue Bonds (Note C)							
Series 1988	8/2/88	58,130,000	7 20	2,260,000	7 40	7/1/99	1,101,390 c
Series 1990	10/15/90	7,455,000	6 60	925,000	6 70 to 6 80	7/1/99-00	2,040,000
Series 1992	5/1/92	48,775 000	5 25	5 140 000	5 375 to 6 20	7/1/99-02	23,605,000
Series 1992	5/1/92	114,685,000	Various	46,735,000	6 10 to 6 25	7/1/03-12	15,050,000 c
Series 1992	6/1/92	106,000,000	-	-	6 375	7/1/13-22	30,800,000 c
Series 1993	10/15/93	38,225,000	3 90	735,000	4 00 to 6 50	7/1/99-15	33,825,000
Series 1993	10/15/93	125,580,000	-	-	4 70 to 5 00	7/1/04-23	128,035,000 c
Series 1993	10/28/93	30,000,000	-	-	5 25	7/1/10-13	30,000,000 c
Series 1995	10/15/93	102,100,000	4 15	2,075,000	4 30 to 5 55	7/1/99-12	98,025,000
Series 1995	10/15/95	70,830,000	-	-	5 50	7/1/13-25	70 830 000 c
Series 1997 - A	9/1/97	29,080,000	-	-	4 00 to 5 25	7/1/99-06	29,080,000
Series 1997 - A	9/1/97	186,220,000	-	-	4 80 to 6 00	7/1/07-27	186,220,000 c
Series 1997 - B	9/1/97	30,555,000	-	-	4 00 to 5 25	7/1/99-06	30,555,000
Total Water Supply System Revenue Bonds							679,166,390
Convention Facility Limited Tax Revenue Bonds - Cobo Hall Expansion							
Series 1993	9/1/93	98,275,000	4 00	4,440,000	4 50 to 5 75	9/1/99-07	85,490,000
Series 1993	9/1/93	68,775,000	-	-	5 25	9/1/08-12	68 775 000
Total Convention Facility Limited Tax Revenue Bonds - Cobo Hall Expansion							154,265,000
Local Development Finance Authority (Tax Increment Bonds) - Jefferson/Conner Revitalization Project							
Series 1997 - A	9/1/97	12,250,000	5 50	1,020,000	4 40 to 5 50	5/1/00-06	9,165,000
Series 1997 - A	9/1/97	33,615,000	-	-	5 20 to 5 375	5/1/07-21	33,615,000 c
Series 1997 - B	9/1/97	935,000	-	-	6 70	5/1/00-06	935,000
Series 1997 - B	9/1/97	4,065,000	-	-	6 70	5/1/07-21	4,065,000 c
Series 1997 - C	9/1/97	1,190,000	-	-	6 85	5/1/00-06	1,190,000
Series 1997 - C	9/1/97	5,310,000	-	-	6 85	5/1/07-21	5,310,000 c
Series 1998 - A	9/15/98	12,860,000	4 10	2,265,000	4 35 to 5 50	5/1/00-08	10,595,000
Series 1998 - A	9/15/98	39,345,000	-	-	5 50	5/1/09-21	39,345,000
Total Local Development Finance Authority (Tax Increment Bonds) - Jefferson/Conner Revitalization Project							104,220,000

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

G – Long-Term Obligations, Continued:

Bonds Payable, Continued:

	Bond Date	Amount Issued	Interest Rate	Retired	Range of Interest Rates	Maturity Date	Outstanding
				Year Ended			June 30, 1999
				Amount			Amount
REVENUE BONDS, Continued							
Tax Increment (Downtown Development Authority)							
Series 1996 - A	4/1/96	\$ 75,014,000	6 49 %	\$ 3,248,000	6 73 to 7 50 %	7/1/99-10	\$ 65,320,000
Series 1996 - B	4/1/96	7,550,000	-	-	4 50 to 5 35	7/1/99-06	7,550,000
Series 1996 - B	4/1/96	5,780,000	-	-	5 40 to 5 80	7/1/07-10	5 780,000
Series 1996 - C	4/1/96	7,335,000	4 30	585,000	4 30 to 5 35	7/1/99-06	6,550,000
Series 1996 - C	4/1/96	46,640,000	Various	45,575,000	5 40	7/1/07	1,065,000
Series 1996 - C Capital Appreciation	4/18/96	10,908,198	-	-	6 70 to 6 95	7/1/11-25	10,908,198
Series 1996 - D	4/1/96	3,210,000	Various	3,210,000	-	-	-
Series 1996 - D	4/1/96	10,975,000	Various	10,975,000	-	-	-
Series 1998 - A	9/1/98	7,465,000	-	-	3 60 to 4 35	7/1/99-07	7,465,000
Series 1998 - A	9/1/98	61,435,000	-	-	4 40 to 5 25	7/1/08-25	61,435,000
Series 1998 - B	9/1/98	10,900,000	-	-	5 58 to 6 15	7/1/99-07	10,900,000
Series 1998 - B	9/1/98	21,295,000	-	-	6 20 to 6 68	7/1/08-28	21,295,000
Series 1998 - C	9/1/98	10,480,000	-	-	3 60 to 4 35	7/1/99-07	10,480,000
Series 1998 - C	9/1/98	10 945 000	-	-	4 40 to 5 00	7/1/08-18	10,945,000
Total Downtown Development Authority Bonds							219,693,198
Detroit Building Authority Bonds - Revenue Refunding Bonds							
Parking & Arena System - Series 1997A	2/15/97	3,050,000	3 80	275,000	4 00 to 4 80	7/1/99-06	2,670,000
Parking & Arena System - Series 1997B	2/15/97	37,695,000	5 77	3,145,000	6 10 to 6 79	7/1/99-06	33,385,000
Parking & Arena System - Series 1998A	7/1/98	8,385,000	-	-	4 50 to 5 25	7/1/99-07	8,385,000
Parking & Arena System - Series 1998A	7/1/98	18,615,000	-	-	4 70 to 5 25	7/1/08-19	18,615,000
Total Detroit Building Authority Revenue Refunding Bonds							63,055,000
Total Revenue Bonds							2,018,240,854
Total Bonds Payable							\$3,097 297 690

c - Indicates bonds are callable under terms specified in the indenture, all other bonds are noncallable

Note A - As of June 30, 1999 the City had \$122,345,000 in outstanding General Obligation Bonds which have been defeased or advance refunded

Note B - As of June 30, 1999 the City had \$460,390,000 in outstanding Sewage Disposal System Revenue Bonds which have been defeased or advance refunded

Note C - As of June 30, 1999 the City had \$318,976,824.20 in outstanding Water Supply System Revenue Bonds which have been defeased or advance refunded

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

G – Long-Term Obligations Continued:

Notes Payable:

The following is the schedule of Notes Payable at June 30, 1999:

	Issue Date	Range of Interest Rates	Maturity Date	Amount Outstanding June 30, 1999
Urban Renewal Fund				
Central Industrial Park - General Motors Project Notes (Secured by Future Block Grant Revenue)	10/28/97	6 11 to 6 23 %	8/1/99-02	\$ 27,365,000
Jefferson/Conner Revitalization Project (Secured by Future Block Grant Revenue)	12/15/92	6 83 to 7 12	8/1/99-01	8,600,000
Caraco Pharmaceutical Project (Secured by Future Block Grant Revenue)	3/2/94	5 93 to 6 44	8/1/99-02	7,755,000
Garfield Project (Secured by Future Block Grant Revenue)	6/5/96	6 67 to 7 66	8/1/01-15	2,260,000
Riverbend Project (Secured by Future Block Grant Revenue)	6/5/96	6 44 to 7 66	8/1/99-15	1,045,000
Riverbend Project (Secured by Future Block Grant Revenue)	10/28/97	6 02 to 7 08	8/1/99-16	445,000
Michigan Repacking Project (Secured by Future Block Grant Revenue)	10/28/97	6 02 to 7 09	8/1/99-04	1,475,000
Stuberstone Project (Secured by Future Block Grant Revenue)	10/28/97	6 02 to 7 10	8/1/99-16	395,000
Ferry Street Project (Secured by Future Block Grant Revenue)	4/28/99	5 58 to 6 72	8/1/04-18	2,900,000
Downtown Development Authority - Trappers Alley Project Note	12/1/93	5 92 to 7 12	1/2/27	2,800,000
Housing Fund Notes (Guaranteed or Held by the Federal Government)	4/1/96	2 880	*	106,494
	4/9/82	6 600	11/1/99-06	111,687
	2/4/83	6 600	11/1/99-06	276,897
	8/2/83	6 600	11/1/99-06	14,444
	11/27/84	5 380	*	2,822,844
	11/27/84	6 630	*	1,486,845
	11/27/84	6 630	*	6,944,930
	3/26/86	6 630	*	32,712
	5/26/87	6 630	*	1,419,328
	9/30/88	6 630	*	30,757,827
	9/30/88	8 000	*	12,616,398
	12/1/92	6 630	*	671,805
	12/22/92	6 630	*	645,671
	1/25/93	6 630	*	979,045
	1/29/93	6 630	*	47,858
	3/4/93	6 630	*	1,081,793
	3/8/93	6 630	*	300,000
	3/19/93	6 630	*	21,735
	3/25/93	6 630	*	778,452
	5/20/93	6 630	*	1,528,549
	6/28/93	6 630	*	1,054,364
	7/20/93	6 630	*	991,821
	8/2/93	6 630	*	20,275
	8/19/93	6 630	*	308,848
	8/20/93	6 630	*	986,027
	9/22/93	6 630	*	1,540,254
	10/5/93	6 630	*	5,421
	10/13/93	6 630	*	1,041,882
	10/29/93	6 630	*	8,992
	11/16/93	6 630	*	1,515,835
	12/14/93	6 630	*	97,583
	9/30/95	6 630	*	671,512
	9/30/95	8 000	*	5,157,380
Total Housing Fund Notes				76,045,508
Total Notes Payable				\$ 131,085,508

* Maturity date unavailable from Department of Housing and Urban Development

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

G – Long-Term Obligations Continued:

The following is the schedule for Industrial Development Revenue Bonds at June 30, 1999

	<u>Bond Date</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Retired Year Ended June 30, 1999</u>	<u>Amount Outstanding June 30, 1999</u>
Industrial Development Revenue Bonds (Note A) —						
Allied Chemical Corp						
1979 Series	4/1/79	\$ 1,000,000	6 75%	7/1/04	\$ -	\$ 1,000,000 c
Total Bonds						<u>\$ 1,000,000</u>

c – Indicates bonds are callable under terms specified in the indentures

Note A – These bonds are not a general obligation or indebtedness of the City. The City has a fiduciary responsibility to assure that any revenue from the Project is used for the payment of principal and interest on the bonds. The above information is provided solely for the Michigan Municipal Finance Commission as required under the provisions of Public Act 2 of 1968 and Public Act 202 of 1943, as amended.

Lease Obligations:

The School District of the City of Detroit (Component Unit) has leases with IBM for certain equipment. The capital lease obligation associated with these leases is recorded in capital lease payable. As of June 30, 1999, the future minimum lease payments under noncancelable capital leases are as follows:

	<u>Capital Leases</u>
2000	\$ 5,141,830
2001	4,244,011
2002	1,235,253
2003	276,302
2004	276,304
Thereafter	967,062
Total Minimum Lease Payments	12,140,762
Less - Amount Representing Interest	1,272,038
Total Capital Lease Obligations	<u>\$ 10,868,724</u>

The following is the schedule for Bonds Authorized and Unissued at June 30, 1999

	<u>Authorized (Note A)</u>			<u>Unissued Amount</u>
	<u>Authority</u>	<u>Date</u>	<u>Amount</u>	
General Obligation Bonds (Tax Supported):				
Sewer Construction	Electorate	8/2/60	\$ 50,000,000	\$ 24,000,000
Fire - Buildings and Sites	Electorate	8/5/80	5,725,000	1,432,054
Fire - Buildings and Sites	Electorate	11/4/97	7,500,000	7,500,000
Police - Buildings and Sites	Electorate	11/4/97	7,500,000	7,441,505
Public Health Facilities	Electorate	8/4/92	6,000,000	3,583,308
Public Health Facilities	Electorate	11/4/97	1,000,000	1,000,000
Public Lighting - System Betterments, Improvements and Extensions....	Electorate	11/4/97	40,000,000	25,900,000
Institute of Arts	Electorate	8/2/88	25,000,000	8,345,000
Recreation and Zoo	Electorate	11/4/97	38,000,000	34,021,039
Community and Economic Development	Electorate	8/4/92	62,000,000	13,687,095
Community and Economic Development	Electorate	11/4/97	35,000,000	35,000,000
Library	Electorate	11/4/97	7,500,000	5,000,000
Transportation	Electorate	11/4/97	3,000,000	3,000,000
Public Works	Electorate	11/4/97	3,500,000	2,500,000
Total Bonds Authorized - Unissued				<u>\$ 172,410,001</u>

Note A – The electorate approved an amendment to the State Constitution (the Headlee Amendment) November 7, 1978 that requires voter approval for the issuance of general obligation bonds effective December 22, 1978. The authority to issue bonds approved by the electors continues until revoked by the electors.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

G – Long-Term Obligations, Continued:

General Bonds (General Obligation) Debt Service Requirements:

The following is the schedule of the General Bonds (General Obligation) Debt Service Requirements at June 30, 1999

Year Ending June 30,	Total Bond Maturities	General Bonds (Unlimited Tax)			General Bonds (Limited Tax)			Requirements
		Principal	Interest	Total	Principal	Interest	Total	
2000	\$ 34,220,000	\$ 27,605,000	\$ 27,860,689	\$ 55,465,689	\$ 6,615,000	\$ 5,550,383	\$ 12,165,383	\$ 67,631,072
2001	42,840,000	30,965,000	26,171,009	57,136,009	11,875,000	5,193,173	17,068,173	74,204,182
2002	45,560,000	32,535,000	24,326,943	56,861,943	13,025,000	4,516,532	17,541,532	74,403,475
2003	48,655,000	34,575,000	22,419,058	56,994,058	14,080,000	3,777,617	17,857,617	74,851,675
2004	51,215,000	36,715,000	20,284,208	56,999,208	14,500,000	2,851,959	17,351,959	74,351,167
2005 to 2009	220,430,000	202,410,000	66,702,490	269,112,490	18,020,000	4,974,720	22,994,720	292,107,210
2010 to 2014	84,315,000	80,185,000	21,827,790	102,012,790	4,130,000	2,952,773	7,082,773	109,095,563
2015 to 2019	44,060,000	38,545,000	4,779,925	43,324,925	5,515,000	1,565,609	7,080,609	50,405,534
2020 to 2023	2,675,000	-	-	-	2,675,000	152,578	2,827,578	2,827,578
Total	\$ 573,970,000	\$ 483,535,000	\$ 214,372,112	\$ 697,907,112	\$ 90,435,000	\$ 31,535,344	\$ 121,970,344	\$ 819,877,456

Convention Facility Limited Tax Revenue Bonds Debt Service Requirements:

The following is the schedule of the Convention Facility Limited Tax Revenue Bonds (Cobo Hall Expansion Project) Debt Service Requirements at June 30, 1999

Year Ending June 30,	Bond Maturities	Requirements (Note A)		Total Requirements
		Principal	Interest	
2000	\$ 4,650,000	\$ 4,650,000	\$ 7,920,153	\$ 12,570,153
2001	8,470,000	8,470,000	7,614,365	16,084,365
2002	8,855,000	8,855,000	7,200,683	16,055,683
2003	9,290,000	9,290,000	6,732,688	16,022,688
2004	9,740,000	9,740,000	6,197,188	15,937,188
2005 to 2009	57,095,000	57,095,000	22,511,663	79,606,663
2010 to 2013	56,165,000	56,165,000	6,054,956	62,219,956
Total	\$ 154,265,000	\$ 154,265,000	\$ 64,231,694	\$ 218,496,694

Note A – Debt requirements have been computed in accordance with a resolution of the City and are payable from and secured solely by a lien on the distributions the City is entitled to receive from the revenues collected from the Liquor Tax and Hotel Occupancy Tax. At June 30, 1999, \$32,336,864 was available in the Capital Projects Fund for payment of principal and interest.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

G – Long-Term Obligations Continued:

Downtown Development Bonds Debt Service Requirements:

The following is the schedule of the Downtown Development Authority Debt Service Requirements (Tax Increment Bonds) at June 30, 1999:

Year Ending June 30,	Bond Maturities	Requirements		
		Principal	Interest	Total Requirements
2000	\$ 7,302,000	\$ 7,302,000	\$ 11,056,497	\$ 18,358,497
2001	7,747,000	7,747,000	11,698,516	19,445,516
2002	8,583,000	8,583,000	11,255,966	19,838,966
2003	9,090,000	9,090,000	10,753,603	19,843,603
2004	9,950,000	9,950,000	10,215,413	20,165,413
2005 to 2009	59,593,000	59,593,000	41,226,529	100,819,529
2010 to 2014	42,246,774	42,246,774	29,107,409	71,354,183
2015 to 2019	24,632,117	24,632,117	27,115,391	51,747,508
2020 to 2024	23,760,427	23,760,427	23,299,043	47,059,470
2025 to 2029	26,788,880	26,788,880	10,286,283	37,075,163
Total	\$ 219,693,198	\$ 219,693,198	\$ 186,014,650	\$ 405,707,848

Local Development Finance Authority Tax Increment Bonds, Series A, Debt Service Requirements:

The following is the schedule of the Local Development Authority Tax Increment Bonds, Series A, Debt Service Requirements at June 30, 1999:

Year Ending June 30,	Bond Maturities	Requirements (Note A)		
		Principal	Interest	Total Requirements
2000	\$ 4,100,000	\$ 4,100,000	\$ 3,023,555	\$ 7,123,555
2001	3,600,000	3,600,000	2,969,070	6,569,070
2002	3,035,000	3,035,000	2,890,305	5,925,305
2003	2,680,000	2,680,000	2,815,692	5,495,692
2004	2,405,000	2,405,000	2,734,053	5,139,053
2005 to 2009	15,505,000	15,505,000	12,028,343	27,533,343
2010 to 2014	25,530,000	25,530,000	8,097,743	33,627,743
2015 to 2019	32,840,000	32,840,000	4,001,304	36,841,304
2020 to 2021	14,525,000	14,525,000	469,601	14,994,601
Total	\$ 104,220,000	\$ 104,220,000	\$ 39,029,666	\$ 143,249,666

Note A – Series A Bonds were issued in connection with the development of the Chrysler Jefferson Assembly Plant

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

G – Long-Term Obligations, Continued:

Parking and Arena System Bonds Debt Service Requirements:

The following is the schedule of the Parking and Arena System Bonds Debt Service Requirements at June 30, 1999

Year Ending June 30,	Bond Maturities	Requirements		
		Principal	Interest	Total Requirements
2000	\$ 4,385,000	\$ 4,385,000	\$ 3,512,554	\$ 7,897,554
2001	4,640,000	4,640,000	3,253,425	7,893,425
2002	4,910,000	4,910,000	2,971,705	7,881,705
2003	5,205,000	5,205,000	2,668,453	7,873,453
2004	5,515,000	5,515,000	2,342,840	7,857,840
2005 to 2009	20,955,000	20,955,000	6,696,759	27,651,759
2010 to 2014	6,780,000	6,780,000	3,603,816	10,383,816
2015 to 2019	8,660,000	8,660,000	1,667,419	10,327,419
2020	2,005,000	2,005,000	51,378	2,056,378
Total	\$ 63,055,000	\$ 63,055,000	\$ 26,768,349	\$ 89,823,349

Greater Detroit Resource Recovery Authority Bonds Debt Service Requirements:

The following is the schedule of the Greater Detroit Resource Recovery Authority Bonds Debt Service Requirements at June 30, 1999

Year Ending June 30,	Bond Maturities	Requirements (Note A)		
		Principal	Interest	Total Requirements
2000	\$ 32,480,000	\$ 32,480,000	\$ 29,255,563	\$ 61,735,563
2001	35,525,000	35,525,000	27,414,255	62,939,255
2002	37,495,000	37,495,000	25,343,075	62,838,075
2003	41,225,000	41,225,000	23,124,613	64,349,613
2004	44,980,000	44,980,000	20,688,913	65,668,913
2005 to 2009	296,085,000	296,085,000	54,633,894	350,718,894
Total	\$ 487,790,000	\$ 487,790,000	\$ 180,460,313	\$ 668,250,313

Note A – Debt requirements have been computed in accordance with the bond ordinances and are payable solely from net revenues of the Authority

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

G – Long-Term Obligations Continued:

Water Supply System Revenue Bonds Debt Service Requirements:

The following is the schedule of the Water Supply System Revenue Bonds Debt Service Requirements at June 30, 1999

Year Ending June 30,	Bond Maturities	Requirements (Notes A and B)			Total Requirements
		Principal	Interest	Reserve	
2000	\$ 12,141,390	\$ 12,141,390	\$ 36,760,406	\$ -	\$ 48,901,796
2001	15,775,000	15,775,000	34,956,598	-	50,731,598
2002	16,140,000	16,140,000	34,001,460	-	50,141,460
2003	17,400,000	17,400,000	33,368,509	-	50,768,509
2004	17,740,000	17,740,000	32,270,797	-	50,010,797
2005 to 2009	104,575,000	104,575,000	146,038,707	-	250,613,707
2010 to 2014	131,650,000	131,650,000	116,030,339	-	247,680,339
2015 to 2019	139,300,000	139,300,000	80,018,947	-	219,318,947
2020 to 2024	163,340,000	163,340,000	38,510,689	-	201,850,689
2025 to 2028	61,105,000	61,105,000	6,018,063	50,701,866	16,421,197
Total	\$ 679,166,390	\$ 679,166,390	\$ 557,974,515	\$ 50,701,866	\$ 1,186,439,039

Note A – For record purposes, there are \$255,910,000 in outstanding Water Supply System Revenue Bonds which have been defeased or advance refunded

Note B – Requirements for Water Revenue Bonds have been computed in accordance with the bond ordinances and without consideration of future interest income on investments At June 30, 1999, funds accumulated in the Water Debt Service include \$50,701,866, representing the reserve This reserve has been applied in determining the requirements shown above

Sewage Disposal System Revenue Bonds Debt Service Requirements:

The following is the schedule of the Sewage Disposal System Revenue Bonds Debt Service Requirements at June 30, 1999

Year Ending June 30,	Bond Maturities	Requirements (Notes A and B)			Total Requirements
		Principal	Interest	Reserve	
2000	\$ 17,830,632	\$ 17,830,632	\$ 39,940,056	\$ -	\$ 57,770,688
2001	19,105,239	19,105,239	38,897,328	-	58,002,567
2002	19,512,177	19,512,177	38,056,231	-	57,568,408
2003	20,890,056	20,890,056	36,929,997	-	57,820,053
2004	21,366,994	21,366,994	35,918,610	-	57,285,604
2005 to 2009	123,957,554	123,957,554	164,096,457	-	288,054,011
2010 to 2014	141,117,177	141,117,177	127,165,589	-	268,282,766
2015 to 2019	157,521,437	157,521,437	89,619,774	-	247,141,211
2020 to 2024	202,150,000	202,150,000	46,627,286	-	248,777,286
2025 to 2028	67,610,000	67,610,000	7,964,500	60,865,960	136,440,460
Total	\$ 791,061,266	\$ 791,061,266	\$ 625,215,828	\$ 60,865,960	\$ 1,477,143,054

Note A – The Sewage Disposal System of the City of Detroit issued bonds to refund certain outstanding Sewage Disposal System Revenue Bonds Payments were made into escrow funds pursuant to trust agreements of amounts sufficient to accomplish a defeasance of previously issued Sewage Disposal System Revenue Bonds For record purposes, there are \$357,335,000 of the defeased Sewage Disposal Revenue Bonds outstanding

Note B – Requirements for Sewage Revenue Bonds have been computed in accordance with the bond ordinances and without consideration of future interest income on investments At June 30, 1999, funds accumulated in the Sewage Debt Service fund include \$60,865,960 representing the reserve This reserve has been applied in determining the requirements shown above

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

G – Long-Term Obligations Continued:

Housing Revenue Bonds Debt Service Requirements:

The following is the schedule of the Housing Revenue Bonds Debt Service Requirements at June 30, 1999:

Year Ending June 30,	Bond Maturities	Requirements (Note A)		
		Principal	Interest	Total Requirements
2000	\$ 480,000	\$ 480,000	\$ 345,650	\$ 825,650
2001	500,000	500,000	321,113	821,113
2002	525,000	525,000	295,550	820,550
2003	555,000	555,000	268,713	823,713
2004	585,000	585,000	240,338	825,338
2005 to 2009	3,330,000	3,330,000	722,863	4,052,863
2010 to 2011	805,000	805,000	59,000	864,000
Total	\$ 6,780,000	\$ 6,780,000	\$ 2,253,227	\$ 9,033,227

Note A – Requirements are for revenue bond principal and interest. The Federal Department of Housing and Urban Development is committed to providing annual debt service contributions. The excess of contributions over the revenue bond principal and interest requirements shown is to be used in part for debt service for permanent loans totaling \$1,283,541, representing the unpaid balance of notes issued during 1964-65 to replace \$2,403,000 of Series B bonds.

Detroit Building Authority (District Court Madison Center) Revenue Bonds Debt Service Requirements:

The following is the schedule of the Detroit Building Authority (District Court Madison Center) Revenue Bonds Debt Service Requirements at June 30, 1999:

Year Ending June 30,	Bond Maturities	Requirements		
		Principal	Interest	Total Requirements
2000	\$ 1,056,487	\$ 1,056,487	\$ 1,078,817	\$ 2,135,304
2001	1,143,606	1,143,606	991,478	2,135,084
2002	1,237,910	1,237,910	896,938	2,134,848
2003	1,078,530	1,078,530	797,191	1,875,721
2004	1,366,478	1,366,478	734,810	2,101,288
2005 to 2009	7,183,825	7,183,825	2,280,103	9,463,928
2010 to 2012	4,230,000	4,230,000	300,428	4,530,428
Total	\$ 17,296,836	\$ 17,296,836	\$ 7,079,765	\$ 24,376,601

G – Long-Term Obligations, Continued:

Other Commitments: Future operating lease commitments of the City are as follows (See Note III-O):

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City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

G – Long-Term Obligations, Continued:

The City refunded the bonds to reduce its debt service payments over the next 25 years by almost \$9,700,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$6,944,288.

(b) Component Units:

In August 1998, the DDA issued \$68,900,000 in Revenue Bonds with an average interest rate of 4.78% to refund \$54,560,000 of outstanding bonds issued in 1996 (the refunded bonds). A portion of the proceeds were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on all the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements.

The DDA refunded the bonds to reduce its total debt service payments over the next 24 years by almost \$3.4 million and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1.8 million.

On November 1, 1998, the District issued \$84,855,000 in School Building and Site Improvement Refunding Bonds (Unlimited Tax General Obligation), Series 1998C, with an average interest rate of 5.20%, to advance-refund \$19,965,000 of School Building and Site Improvement Bonds (Unlimited Tax General Obligation), Series 1992, with an average interest rate of 6.19%, and \$61,425,000 of School Building and Site Improvement Bonds (Unlimited Tax General Obligation), Series 1996A, with an average interest rate of 5.73%. The net proceeds of \$84,665,000 (after payment of \$200,000 in issuance costs) were placed in an irrevocable trust with an escrow agent for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for the refunded bonds has been removed from the General Long-Term Debt Account Group of the District.

The District advance-refunded the bonds to reduce its total debt service payments over the next 25 years by approximately \$4,168,702 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$2,739,639.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

H – Segment Information – Enterprise Funds:

Segment Information: Segment information for Enterprise Funds as of and for the year ended June 30, 1999 is summarized below:

	Airport Fund	Auto- mobile Parking Fund	Housing Fund	Sewage Disposal Fund	Trans- portation Fund	Water Fund	Total
	(in thousands of dollars)						
Operating Revenue.....	\$ 1,781	\$ 17,880	\$ 50,990	\$ 216,030	\$ 31,359	\$ 185,963	\$ 504,003
Operating Expense:							
Depreciation Expense.....	2,388	4,169	16,119	33,015	12,269	20,767	88,727
Other.....	4,315	8,512	51,712	156,677	148,281	125,855	495,352
Total Operating Expense.....	6,703	12,681	67,831	189,692	160,550	146,622	584,079
Operating Income (Loss).....	(4,922)	5,199	(16,841)	26,338	(129,191)	39,341	(80,076)
Non-Operating Income -							
Transfers-In	2,045	-	-	-	51,005	-	53,050
Other Non-Operating Income							
(Expense) — Net	-	(1,997)	836	(3,825)	61,472	(17,376)	41,205
Net Income (Loss).....	(2,877)	5,296	(16,005)	22,513	(16,714)	21,966	14,179
Net Change in Contributed							
Capital.....	1,280	(685)	70,077	(11,345)	(5,365)	619	54,581
Working Capital (Deficiency),							
End of Year	(342)	803	4,714	87,219	9,186	42,764	144,344
Property, Plant, and Equipment -							
Additions (Net).....	2,570	9,887	74,795	97,840	5,986	94,781	285,859
Property, Plant and Equipment,							
Less Accumulated							
Depreciation	44,669	76,471	341,572	1,218,475	81,568	854,241	2,616,996
Restricted Assets	-	49,606	50,994	303,868	-	204,474	608,942
Total Assets.....	45,587	131,146	438,099	1,672,864	137,967	1,165,754	3,591,417
Bonds and Notes Payable, Non-							
Current Portion — Net of							
Unamortized Premium	-	56,318	82,332	744,126	-	640,652	1,523,428
Retained Earnings — Reserved..	-	43,403	-	37,439	-	22,049	102,891
Retained Earnings (Deficit).....	(4,488)	6,135	(174,007)	318,291	(15,861)	268,655	398,725
Total Equity.....	43,902	63,948	249,359	792,483	60,820	391,106	1,601,618

Requirements and Restrictions on Bond Issuance: The following are applicable rate requirements and restrictions that apply to future Enterprise Funds bond issuances.

Automobile Parking Fund: The City has covenanted in bond authorizing documents to charge for the use of and services provided by the City of Detroit Building Authority Parking Arena System (the System) for each fiscal year of the City such that the gross revenues collected and remitted to the trustee (1) will be at least sufficient to at all times pay when due the principal, interest, and sinking fund installments on the revenue bonds without recourse to the Debt Reserve Account, to pay or provide for all operating expenses, to maintain the System in good repair without recourse to the Operating and Contingency Reserve Fund, and to replenish the Debt Reserve Account (so as to satisfy the corresponding reserve requirement) and the Operating and Maintenance Reimbursement Fund, and (2) will, after replenishment of any deficit in the Debt Reserve Account, Operating and Contingency Reserve Fund, and the Operating and Maintenance Reimbursement Fund, be equal to or greater than 175% of the amount payable in such fiscal year as the principal of sinking fund installments for the interest on all revenue bonds, net of amounts capitalized for interest payable during the construction period

The City has covenanted further that, if the fees and charges collected in any fiscal year are not sufficient to produce such revenues, the City will employ a consulting expert to submit recommendations as to revision of the schedule of

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

H – Segment Information – Enterprise Funds, Continued:

fees then in effect, and the City will thereafter charge and collect fees in accordance with such recommendation. The schedule of charges for the System may not be revised for a period of two years unless (1) such revision is for purpose of complying with the aforesaid rate covenant or, simultaneously with such revision, there is filed with the trustee a certificate of the consulting expert stating the opinion that, if such revision had been in effect during the whole of the fiscal year immediately prior thereto, the revenues collected during such fiscal year would not have been diminished, and (2) at the time of any reduction in charges, the amounts in the Debt Reserve Account and Operating and Contingency Reserve Fund equal or exceed the reserve requirements.

The revenue bond documents specify that additional bonds may be issued by the Fund for the purpose of financing additions, replacements, and improvements to the City of Detroit Building Authority Parking Arena System, provided that the trustee shall have received all legally required authorized opinions and certificates, and that the estimated Gross Revenues (as defined in the bond authorizing documents) for the five years following completion of the facilities will be at least (1) 175% of annual debt service on all parity outstanding bonds, or (2) the sum of annual debt service on all parity outstanding bonds (including the Additional Bonds) plus the amount necessary to make all required payments to the various funds maintained by the trustee, whichever is greater.

Other than as described above, the Fund may not issue any obligations secured by gross revenues from the System unless any resulting lien on the System's gross revenues is expressly subordinate to liens for the bond holders' or bank's benefit described above.

Housing Fund: The Housing Fund entered into an annual contribution contract with the Department of Housing and Urban Development (HUD) under provisions of the United States Housing Act of 1937. In accordance with this contract, the Fund receives annually a contribution from the Federal Government for debt service. The amount recognized for such contributions totaled \$5,655,734 in fiscal 1999. The Federal Government debt service contribution for interest expense is treated as non-operating income.

In April 1986, P.L. 99-272 was enacted, which authorized HUD to forgive outstanding principal and interest on the notes held by HUD. Accordingly, HUD ceased debt service annual contributions on certain notes, while continuing to accrue interest on others as of April 1986. During 1999, HUD forgave no principal or interest on these notes.

No effective date for the final forgiveness of all debt has yet been determined. The Fund, however, has continued to accrue amounts for debt service contributions receivable totaling \$44,389,183 at June 30, 1999, based on its understanding of the forthcoming forgiveness of debt associated with the notes held by HUD.

The Detroit Housing Commission has operating lease agreements with certain limited liability corporations (LLCs) under which the Commission leased land and buildings to the LLCs for the purpose of redeveloping certain housing projects. Such redevelopment will be financed primarily by modernization grants received by the Commission from HUD. At the end of each lease term, the leasehold improvements will revert back to the Commission without charge. As of June 30, 1999, the amount expended under the lease agreements is reflected in the financial statements of the Commission as construction work in progress.

Sewage Disposal Fund: The revenue bond ordinance requires that rates be fixed to produce the greater of (1) (a) debt service on the bonds, (b) creation and maintenance of a debt service reserve, (c) administrative and operating expenses of the City Sewage Disposal System, and (d) other requirements, expenditures, and funds for the System in accordance with the revenue bond ordinance and Act 94, or (2) an amount so that the net defined revenues of the System during each operating year are projected at the beginning of such fiscal year to be equal to not less than 125 % of the annual principal and interest requirements coming due during such operating year. The actual 1999 net revenues as defined in the ordinances for purposes of this covenant exceeded 125 % of the principal and interest requirements for fiscal year 1999.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

H – Segment Information – Enterprise Funds, Continued:

The revenue bond ordinance requires that before additional revenue bonds of equal standing may be issued for additional construction, extensions, or improvements to the City Sewage Disposal System, net revenues, as defined in the revenue bond ordinance, must equal at least 135% of the highest annual requirement for principal and interest thereafter becoming due.

Water Fund: The revenue bond ordinance requires that rates be fixed to produce the greater of (1) (a) debt service on the bonds, (b) creation and maintenance of a debt service reserve, (c) administrative and operating expenses of the City Water System, and (d) creation and maintenance of an extraordinary repair and replacement reserve, or (2) an amount so that the net defined revenues of the System during each operating year are projected at the beginning of such fiscal year to be equal to not less than 125 % of the annual principal and interest requirements coming due during such operating year. The actual 1999 net revenues as defined in the ordinances for purposes of this rate covenant exceeded 125% of the principal and interest requirements for fiscal 1999. The revenue bond ordinance further provides that rates shall be fixed and revised from time to time as may be necessary to produce an amount so that the net revenues during each future fiscal year are projected to be equal to 120%, relating to the first series of second-lien bonds coming due during such fiscal year on all bonds and second-lien bonds payable from revenues of the System.

The revenue bond ordinance requires that before additional revenue bonds of equal standing may be issued for additional construction, extensions, or improvements to the City Water System, net revenue as defined in the bond ordinance must equal at least 135% of the highest annual requirements for principal and interest thereafter becoming due, including the additional bonds being issued.

Component Units:

The GDRRA is authorized to charge user fees for services provided to residents in the event either the tipping fees or supplemental tipping fees paid by the City and other revenues generated are not sufficient in each operating year to produce revenues equal to at least 100% of the maximum annual debt service requirement, lease obligations, and operating costs. Supplemental tipping fees are provided from certain taxes collected by the State of Michigan which are payable to the City (Distributable Aid). The City's obligation to pay tipping fees and supplemental tipping fees is a full faith and credit limited tax general and unconditional obligation, whether or not the facility is operating.

For the year ended June 30, 1999, tipping fees and supplemental tipping fees paid by the City to the GDRRA are as follows:

Tipping Fees	\$ 50,380,492
Supplemental Tipping Fees	19,578,507
Total	<u>\$ 69,958,999</u>

Restricted Assets and Reserved Retained Earnings: The minimum level of restricted assets as required by ordinance was met in all cases.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

I – Contributed Capital:

The changes in the City's contributed capital accounts for its proprietary funds are as follows:

	Airport Fund	Auto- mobile Parking Fund	Housing Fund	Sewage Disposal Fund	Trans- portation Fund	Water Fund	Total
	(in thousands of dollars)						
Contributed Capital, Beginning of Year.....	\$ 47,110	\$ 15,096	\$ 353,289	\$ 448,098	\$ 82,045	\$ 99,783	\$ 1,045,421
Additions.....	2,636	-	70,077	3,569	5,983	619	82,884
Depreciation of Fixed Assets Acquired by Contributed Capital.....	(1,356)	(685)	-	(14,914)	(11,348)	-	(28,303)
Contributed Capital, End of Year.....	\$ 48,390	\$ 14,411	\$ 424,332	\$ 436,753	\$ 76,680	\$ 100,402	\$ 1,100,002

The changes in the City's contributed capital accounts for its discretely presented component units are as follows:

	Detroit Transportation Corporation	Greater Detroit Resource Recovery Authority	Total
	(in thousands of dollars)		
Contributed Capital, Beginning of Year.....	\$ 118,233	\$ -	\$ 118,233
Depreciation of Fixed Assets Acquired by Contributed Capital.....	(6,979)	-	(6,979)
Contributed Capital, End of Year.....	\$ 111,254	\$ -	\$ 111,254

J – Sewage Disposal and Water Funds Construction Programs: The Sewage Disposal Fund is engaged in various long-range capital improvement programs, including the water pollution control project in the Detroit Regional Watershed area. The uncompleted portion of construction contracts outstanding amounts to approximately \$117.2 million at June 30, 1999.

The Water Fund is engaged in an ongoing expansion, development and rehabilitation program for servicing the Southeastern Michigan area. The program is being primarily financed from revenues of the Fund and proceeds from the issuance of revenue bonds. The uncompleted portion of construction contracts outstanding amounts to approximately \$55.8 million at June 30, 1999.

K – Defined Benefit Pension Plans and Defined Contribution Annuity Plans:

Plan Description: The City of Detroit, a single employer, Retirement System consists of the General Retirement System (GRS) and the Policemen and Firemen Retirement System (PFRS). Each system is composed of a Defined Benefit Plan and a Defined Contribution Annuity Plan. The plans provide retirement, disability and death benefits to plan members and beneficiaries.

These plans are administered in accordance with the City of Detroit Charter and union contracts, which assign authority to establish and amend contributions and benefit provisions to each plans' Board of Trustees.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

K – Defined Benefit Pension Plans and Defined Contribution Annuity Plans, Continued:

Summary of Significant Accounting Policies:

Basis of Accounting: The plans' financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable, in accordance with the terms of each plan.

Method Used to Value Investments: Plan investments are reported at fair value. Securities traded on national or international exchanges are valued at last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar investments. Investments that do not have an established market are reported at estimated fair value.

Funding Policy/Contributions: The City's policy is to fund normal costs and amortization of prior service costs. The City is required to contribute at an actuarially determined rate. The current rate is 12.80% of active payroll for the General Retirement System and 21.53% of active annual payroll for the Policemen and Firemen Retirement System. Contributions from City funds, including accounts receivable for the year ended June 30, 1999, amounted to \$55,683,125 and \$15,709,800 for the General Retirement System and the Policemen and Firemen Retirement System, respectively.

Employee contributions for annuity savings are as follows:

- General Retirement System — 3%, 5%, or 7% of first \$68,400 of annual compensation and 5% or 7% of any excess over \$68,400. Contributions are voluntary for all union and non-union employees.
- Policemen and Firemen Retirement System — Mandatory contributions are 5% of base compensation until eligibility for retirement is reached.

Contributions received from employees during the year ended June 30, 1999 amounted to \$22,118,558 and \$8,375,902 for the General Retirement System and the Policemen and Firemen Retirement System, respectively.

The contribution requirements of plan members and the City of Detroit are established and may be amended by the Board of Trustees in accordance with the City Charter, union contracts, and plan provisions.

Benefits: General Retirement System members may retire with full benefits after attaining thirty (30) years of service, age (55) with thirty (30) years of service if hired after January 1, 1996; age sixty (60) with (10) years of service; or age sixty-five (65) with eight (8) years of service. Employees may retire after twenty-five (25) years of service and collect an actuarially reduced retirement benefit.

Police officers and firefighters hired prior to January 1, 1969 may retire after 25 years of service with full benefits and an escalator clause for future increases. Effective July 1, 1983, police officers and firefighters hired after January 1, 1969 belonging to certain bargaining units may retire after twenty-five (25) years of service with full benefits and a yearly cost-of-living adjustment of 2.25%.

Members of either system who separated prior to July 1, 1981 met the age and service requirements, and who did not withdraw their accumulated annuity contributions are generally eligible for a pension at the time they would have been eligible had they continued City employment.

Members of the General Retirement System who separate on or after July 1, 1981 and meet the age and service requirements may withdraw their accumulated annuity contributions and remain eligible for a benefit. Members of

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

K – Defined Benefit Pension Plans and Defined Contribution Annuity Plans, Continued:

the Policemen and Firemen Retirement System who separate on or after July 1, 1982 and meet the age and service requirements are able to withdraw their accumulated contributions and remain eligible for a benefit.

Monthly pension benefits, which are subject to certain minimum and maximum amounts, are determined according to fixed rates per year of credited service. Pension benefits for all members of the General Retirement System are increased annually by 2.25% of the original pension. For those members of the Policemen and Firemen Retirement System who were hired after January 1, 1969, pension benefits are increased annually by 2.25% of the original pension. Police officers and firefighters hired before January 1, 1969 may elect at retirement increases based upon pay increases of active members or annual increases of 2.25% of the original pension.

Employee contributions to both systems for annuity savings may be withdrawn upon separation from the City. At retirement, members have the option to withdraw all or part of their accumulated annuity contributions plus interest in either a lump sum or to receive monthly annuity payments. Employees in both systems may withdraw their annuity balance once they have accumulated twenty-five (25) years of service and continue working.

Classes of Employees: The GRS covers all employees other than police officers and firefighters, who are covered by the PFRS.

The plans' membership consisted of the following at June 30, 1998, the date of the latest actuarial valuation

	<u>Defined Benefit</u>		<u>Defined Annuity Contribution</u>	
	<u>GRS</u>	<u>PFRS</u>	<u>GRS</u>	<u>PFRS</u>
Retirees and beneficiaries receiving benefits	11,593	7,750	2,166	1,972
Terminated plan members entitled to but not yet receiving benefits.....	1,256	43	512	15
Active plan members.....	12,261	5,334	11,487	4,555

Annual Pension Costs: For fiscal year ended June 30, 1999, the City's annual pension cost of \$55,683,125 for the General Retirement System and \$15,709,800 for the Policemen and Firemen Retirement System were equal to the City's required and actual contribution. The required contributions were determined as part of the June 30, 1998, actuarial valuation using the entry-age actuarial cost method. Significant assumptions underlying the actuarial computation included a return of investment of 7.9% for the General Retirement System and 7.8% for the Policemen and Firemen Retirement System. Payroll for active members was assumed to increase 4.0% for the General Retirement System and 4.8% for the Policemen and Firemen Retirement System, attributable to inflation and an additional salary increase ranging from 4.0% to 10.0% for General Retirement System and 5.5% to 9.0% for Policemen and Firemen Retirement System per year, depending on age, attributable to seniority/merit. Post-retirement benefits are assumed to increase by 4.8% per year, compounded annually for pre-69 members, and 2.25% per year for post-69 members for both systems. Mortality and turnover rates were for the June 30, 1993 valuation. The 1983 Group Annuity Mortality Table was first used for this valuation. Turnover probabilities were revised based on a review of experience.

Effective July 1, 1992, the amortization period for the GRS unfunded liabilities determined prior to 1992 was changed to a 25-year closed period ending June 30, 2017. Actuarial experience gains and losses and liabilities due to benefit increases are amortized over a 15-year perpetual amortization period. The amortization period for the PFRS was changed during 1994 to a 25-year closed period from a 20-year open period, effective July 1, 1992. Normal costs are based on actuarially determined rates, expressed as percentages of annual covered payroll, and are sufficient to accumulate assets to pay benefits when due.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

K – Defined Benefit Pension Plans and Defined Contribution Annuity Plans, Continued:

The three-year trend information for the two systems is as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC) (in millions)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
General Retirement System:			
6/30/96	\$42.5	100%	\$ -
6/30/97	54.7	100%	-
6/30/98	52.7	100%	-
Policemen and Firemen Retirement System:			
6/30/96	\$55.0	100%	\$ -
6/30/97	54.5	100%	-
6/30/98	48.1	100%	-

Fund Balance Reserved for Employees' Pension Benefits: Fund balance reserved for employees' pension benefits includes legally required reserves and amounts designated by the plans' Boards of Trustees for specific purposes. Fund balance as of June 30, 1999 consists of the following reserves and designations:

	<u>GRS</u>	<u>PFRS</u>
Annuity Reserves:		
Annuity Savings Fund.....	\$ 705,800,097	\$ 204,687,416
Annuity Reserve Fund	25,944,913	24,096,127
Survivor Benefit Fund.....	-	31,990,573
	<u>731,745,010</u>	<u>260,774,116</u>
Pension Reserves:		
Pension Accumulation Fund	882,159,910	1,397,028,836
Pension Reserve Fund	1,142,709,538	2,010,560,026
	<u>1,931,982,321</u>	<u>3,407,588,862</u>
Trustee Designated Fund:		
Market Stabilization Fund.....	89,248,368	139,534,386
Total Fund Balance.....	<u>\$ 2,845,862,826</u>	<u>\$ 3,807,897,364</u>

Annuity Savings and Annuity Reserve Funds (Defined Contribution Plan): The Annuity Savings Fund represents cumulative contributions made by active employees plus credited interest. Amounts are subject to withdrawal upon termination of employment or retirement. Amounts transferred to the Annuity Reserve Fund represent cumulative contributions for retirees, disabled members, or surviving spouses who have elected monthly annuity benefits.

Survivor Benefit Reserve Fund: The Survivor Benefit Reserve Fund represents accumulated member and City contributions for certain survivor benefits from which the related benefits are paid

Pension Accumulation Fund (Defined Benefit Plan): The Pension Accumulation Fund represents the fund in which City contributions are accumulated for the payment of pensions and other benefits.

Pension Reserve Fund (Defined Benefit Plan): The Pension Reserve Fund represents the funded pension benefits available for retired lives and is funded by actuarially determined transfers from the Pension Accumulation fund.

Market Stabilization Fund: The Market Stabilization Fund represents amounts designated from plans' earnings for cushioning the effect of future market value adjustments for investment performance. The creation of this fund was authorized by the Board of Trustees, and the reserve amounts are calculated using a three-year-average method.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

K – Defined Benefit Pension Plans and Defined Contribution Annuity Plans, Continued:

Transfers: Reserves are subject to adjustments based upon actuarial valuation. Such adjustments are recorded every fiscal year.

Accrued Pension Benefits: The amount accrued for the General Retirement System at June 30, 1999 represents the distribution to the retirees of 1999 earnings approved by the Board of Trustees.

Old Pension Plans: Certain old pension plans, which include retired members only, are accounted for by the sponsor funds on a pay-as-you-go basis and are not reflected in the accompanying financial statements. The sponsor funds and contributions made for the year ended June 30, 1999 are \$66,987 and \$9,600 for the General Fund and Water Fund, respectively.

Other Post - Employment Benefits: In addition to the pension benefits described above, the City provides post-retirement benefits to its retirees, which include hospitalization, dental care, and eye care. The number of City retirees at June 30, 1999 is 19,826. Costs are accounted for in accordance with GASB Statement No. 12, *Disclosures of Information on Post - retirement Benefits Other Than Pension Benefits by State and Local Governmental Employers*. The benefits are provided in accordance with the City Charter and union contracts. The costs of benefits, which are financed on a pay-as-you-go basis, for the year ended June 30, 1999 are as follows:

<u>Benefit</u>	<u>City Cost</u>	<u>Retiree Cost</u>	<u>Total Cost</u>
Hospitalization	\$81,902,433	\$7,314,188	\$89,216,621
Dental	4,334,085	-	4,334,085
Eye Care	1,220,081	-	1,220,081
Total	<u>\$87,456,599</u>	<u>\$7,314,188</u>	<u>\$94,770,787</u>

REQUIRED SUPPLEMENTAL INFORMATION

Schedule of Employer Contribution (In Millions):

<u>General Retirement System</u>			<u>Policemen and Firemen Retirement System</u>		
<u>Year Ended June 30</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>	<u>Year Ended June 30</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
1993	\$33.5	100%	1993	\$53.1	100%
1994	35.7	100	1994	54.9	100
1995	36.5	100	1995	57.3	100
1996	42.5	100	1996	55.0	100
1997	54.7	100	1997	54.5	100
1998	52.7	100	1998	48.1	100

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

K – Defined Benefit Pension Plans and Defined Contribution Annuity Plans, Continued:

Schedule of Funding Progress:

Actuarial Valuation Date June 30,	Actuarial Value of Assets (in millions)	Actuarial Accrued Liability (AAL) (in millions)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Payroll
<u>General Retirement System:</u>						
1993 (a)	\$1,983.8	\$2,114.2	93.8%	\$130.4	\$331.0	39.4%
1994	2,041.9	2,192.8	93.1	150.9	325.4	46.4
1995	2,043.4	2,275.2	89.8	231.8	327.6	70.8
1996	2,193.2	2,382.8	92.0	189.6	360.1	52.7
1997	2,333.4	2,537.8	91.9	204.5	382.8	53.4
1998 (a) (b)	2,582.0	2,814.9	91.7	232.8	387.0	60.1

Policemen and Firemen Retirement System:

1993 (a)	\$2,256.0	\$2,493.2	90.5%	\$237.2	\$204.3	116.1%
1994	2,304.4	2,486.2	92.7	181.8	199.7	91.1
1995 (a)	2,443.0	2,574.2	94.9	131.2	209.7	62.5
1996	2,628.6	2,633.4	99.8	4.8	212.7	2.2
1997	2,944.2	2,806.6	104.9	(137.6)	217.6	-
1998 (a) (b)	3,325.9	2,976.8	111.7	(349.1)	217.5	-

(a) After changes in actuarial assumptions.

(b) Plan amended.

Significant actuarial assumptions used in preparing the accompanying plans' financial statements for the year ended June 30, 1999 follow.

	<u>General Retirement System</u>	<u>Policemen and Firemen Retirement System</u>
Valuation Date.....	June 30, 1998	June 30, 1998
Actuarial Cost Method.....	Entry Age	Entry Age
Amortization Method	Level Percent Closed	Level Percent Closed
Remaining Amortization Period	23 Years	19 Years
Asset Valuation Method	3-Year Smoothed Market	3-Year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return.....	7.9%	7.8%
Projected Salary Increases.....	4.0 – 10.0%	5.5 – 9.0%
Includes Inflation At.....	4.0%	4.8%
Cost-of-Living Adjustments	2.25%	2.25%

Factors that significantly affect the identification of trends in the amounts reported include, for example, changes in benefit provisions, the size or composition of the population covered by the plans, or the actuarial methods and assumptions used.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

- L – Deferred Compensation Plan:** The City of Detroit established a plan to permit its employees to defer a portion of their salary for the purpose of providing either retirement benefits or death benefits in the event of death prior to retirement. The plan was established in accordance with Internal Revenue Code Section 457.

In accordance with GASB No. 32, the deferred compensation plan assets pertaining to the City's plan are no longer included in the general purpose financial statements.

- M – Agency Funds:** The following table presents the changes in assets and liabilities for the City's agency funds for the year ended June 30, 1999:

	Condemnation Awards Fund
Additions:	
Contributions	\$ -
Investment Earnings	-
Other Receipts.....	850,829
Total Additions.....	850,829
Deductions:	
Allowances and Withdrawals.....	-
Administrative Expense	-
Total Deductions	-
Net Increase	850,829
Net Assets Held:	
June 30, 1998	1,548,165
June 30, 1999	<u>\$ 2,398,994</u>

- N – Transfers:**

Fund Transfers: City-wide transfers from other funds total \$273,830,746 as compared to city-wide transfers to other funds of \$257,505,362. The difference of \$16,325,384 represents a General Fund transfer from Enterprise Funds of \$17,700,000, which is shown as an operating expense in the Enterprise Funds, a General Fund transfer to the Enterprise Funds of \$253,477 and a Capital Projects transfer to the Enterprise Funds of \$1,121,139 which are shown as capital contributions in the Enterprise Funds.

IV. OTHER INFORMATION

- O – Contingencies:**

Lawsuits and Claims: The City is a defendant in numerous lawsuits and is also subject to other claims. It has been the City's experience that lawsuits and claims are settled for amounts less than the stated demand. While it is not possible to estimate the final outcome of these lawsuits and claims with any reasonable degree of precision, the City and its Legal Department have estimated that the liability for all such litigation and claims where a range of exposure is reasonably estimated will not exceed \$140 million. The amount payable from current financial resources is estimated to be \$4.4 million.

Grant Audits: Several of the City's funds participate in a number of federally-assisted grant programs, principal of which are the Community Development Block Grant, Low Income Housing Subsidies, Head Start, Job Training Partnership Act, DDS Work First/Edge, and Substance Abuse Programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs prior to and/or including the year ended June 30, 1999 have not been conducted and/or completed. Accordingly, the funds' compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

O – Contingencies, Continued:

agencies cannot be determined as of June 30, 1999. Since the City believes such adjustments, if any, will not be material, no provision for possible adjustments has been made.

Rate Matters: The Sewage Disposal Fund is a party to certain challenges and disputes related to its wastewater treatment rates by various groups and governmental entities. The challenges address the reasonableness of the overall revenue requirement to be attained, certain cost allocation methods, and ultimate amounts billed. Settlement discussions are ongoing and the ultimate resolution is not currently known.

Condemnation Matters: The City Council has approved the Airport Fund to purchase and demolish approximately 425 residential properties west of the Airport. The Fund must clear the homes to comply with a Federal Aviation Administration (FAA) requirement that there will be no structure within 750 feet of the center line of a runway. The requirement was previously waved pending Federal funding to buy the structures.

The Master Plan for the Airport has been approved by the State and FAA. The Airport is updating a layout plan to assess the benefits and costs of implementing the Master Plan. The Airport now owns approximately 29 parcels in the French Road Mini-take Project. Phases I and II of the project consist of 52 parcels composed of 24 vacant parcels, 25 residential homes, and 3 commercial buildings. The total of these parcels are to be acquired with a combination of federal and local funds.

Lease Receivable: In June 1980, the City entered into an agreement with the Detroit Medical Center Corporation (DMCC) with respect to the operation of the Detroit Receiving Hospital. This agreement includes leasing the hospital facility, which was constructed by the City at a cost of \$72 million, to DMCC at \$1 million per year for a period of 21 years. DMCC also has an option to purchase Detroit Receiving Hospital at the end of the 21-year period for a purchase price of \$1. The future lease payments of approximately \$2.3 million represent a contingent asset of the City that is not currently available for appropriation or expenditure and accordingly is not reflected in the financial statements. Lease payments are reflected as revenue during the fiscal period received.

Utility Users' Tax: The City Utility Users' Tax Act imposes a 5% tax on utility use within the City, which was historically billed by the public utility companies. When natural gas was deregulated, certain corporate taxpayers started buying natural gas directly from wellheads and producers and stopped paying the corresponding utility user tax. In December 1987 the City adopted a Rule declaring these "direct natural gas purchases" were subject to tax. In 1988, a taxpayer group unsuccessfully challenged the Rule before the Revenue Commissioner. This decision was upheld in February 1990 by the Wayne County Circuit Court and in October 1992 by the Michigan Court of Appeals. The sole issue of whether application of the Rule prior to January 1, 1988 would be "unduly harsh" was remanded to the State Revenue Commissioner. In 1994, the City began issuing proposed assessments for January 1, 1988 through December 31, 1993. With respect to these assessments, taxpayers fell into three categories: (1) taxpayers who had paid and remitted taxes monthly; (2) other taxpayers who protested, were afforded a protest hearing, received a final assessment and filed appeals to the Revenue Commissioner (In July and September 1996 the Revenue Commissioner ruled in the City's favor and these rulings have been upheld by the Wayne County Circuit Court, which entered judgment in the City's favor); and (3) other taxpayers who failed to timely protest. The City filed collection actions in Wayne County Circuit Court, and the court again ruled in the City's favor. A dozen or so taxpayers then appealed to the Michigan Court of Appeals, which, in December 1998, upheld the judgments in a final, published decision. The remand proceeding has finally resulted in the Revenue Commissioner's decisions of April 1, 1999 in the City's favor, amounting to \$1.8 million in outstanding taxes, interest, and penalties. This decision may be appealed to the Wayne County Circuit Court.

The City also issued proposed assessments for 1994, 1995, and 1996. Some taxpayers have protested and there are currently some 25 petitions pending before the State Revenue Commissioner appealing the City's final assessments for 1994. With the exception of two taxpayers, as to whom the City's motions for summary decisions have been granted, the City is awaiting hearing dates from the Revenue Commissioner as to the remaining taxpayers.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

O – Contingencies, Continued:

Block Grant Funds: Several revitalization projects in the City have used a combination of financing from governmental and private sources. One of the sources of governmental financing has been Section 108 loan notes from the Federal Government.

As of June 30, 1999, future Block Grant Funds of \$52,240,000 were pledged as collateral for the amounts owed to the Federal Government under Section 108 of the Housing and Community Development Act of 1974, as amended, for the following projects:

Caraco Pharmaceutical	\$ 7,755,000
Central Industrial Park	27,365,000
Ferry Street.....	2,900,000
Garfield	2,260,000
Jefferson/Conner Revitalization	8,600,000
Michigan Repacking	1,475,000
Riverbend.....	1,490,000
Stuberstone.....	395,000
Total.....	<u>\$ 52,240,000</u>

The notes are repayable as follows:

<u>Project</u>	<u>Date</u>	<u>Amount</u>
Caraco Pharmaceutical	August 1, 1999	\$ 520,000
	August 1, 2000	550,000
	August 1, 2001	580,000
	August 1, 2002	6,105,000
		<u>7,755,000</u>
Central Industrial Park	September 1, 1999	6,500,000
	September 1, 2000	6,900,000
	September 1, 2001	6,760,000
	September 1, 2002	7,205,000
		<u>27,365,000</u>
Ferry Project.....	August 1, 2004	85,000
	August 1, 2005	90,000
	August 1, 2006	95,000
	August 1, 2007	100,000
	August 1, 2008	105,000
	August 1, 2009-2013	790,000
	August 1, 2014-2018	1,635,000
		<u>2,900,000</u>
Garfield	August 1, 2001	105,000
	August 1, 2002	105,000
	August 1, 2003	105,000
	August 1, 2004	105,000
	August 1, 2005	105,000
	August 1, 2006-2010	535,000
	August 1, 2011-2015	1,200,000
		<u>2,260,000</u>

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

O – Contingencies, Continued:

<u>Project</u>	<u>Date</u>	<u>Amount</u>
Jefferson/Conner Revitalization.	August 1, 1999	\$ 2,900,000
	August 1, 2000	2,900,000
	August 1, 2001	2,800,000
		8,600,000
Michigan Repacking Project.	August 1, 1999	30,000
	August 1, 2000	35,000
	August 1, 2001	35,000
	August 1, 2002	40,000
	August 1, 2003	45,000
	August 1, 2004	1,290,000
		1,475,000
Riverbend	August 1, 1999	65,000
	August 1, 2000	65,000
	August 1, 2001	65,000
	August 1, 2002	65,000
	August 1, 2003	80,000
	August 1, 2004-2008	405,000
	August 1, 2009-2013	465,000
	August 1, 2014-2016	280,000
		1,490,000
Stuberstone	August 1, 1999	10,000
	August 1, 2000	10,000
	August 1, 2001	15,000
	August 1, 2002	15,000
	August 1, 2003	15,000
	August 1, 2004-2009	120,000
	August 1, 2010-2014	150,000
	August 1, 2015-2016	60,000
		395,000
Total		\$ 52,240,000

In addition, the City was previously authorized to use Block Grant Funds totaling \$66,962,000 for the Central Industrial Park Project. At June 30, 1999, \$3,017,978 is outstanding against this advance.

Greater Resource Recovery Authority (Authority): In 1991, the Authority sold its waste-to-energy facility to private investors in a sale-leaseback transaction for \$634.9 million. The purchase price was paid with \$127 million in cash, mortgage notes of \$342.7 million and assumption of revenue bonds payable in the amount of \$165.2 million. The purchasers agreed to lease the facility to an outside contractor for an initial lease term of 18 years. The outside contractor will continue to operate the facility under a supplemental operating agreement with the Authority, which results in the Authority assuming most of the lease obligations. Upon expiration of the initial lease term, the Authority has options to renew the lease or to repurchase the facility. The City, under the supplemental service contract, has agreed to pay supplemental tipping fees to the Authority sufficient to, among other things, meet these obligations. The lease payments approximate the amortization of the mortgage notes. The cash proceeds from the sale of the facility will be reported as a finance obligation until the Authority's repurchase option is exercised or expires, at which time the gain on the sale will be recognized. Additionally, in 1991 the Authority distributed \$54 million of the cash proceeds to the City, which was reflected as a reduction of the Authority's equity.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

O – Contingencies, Continued:

Future minimum lease payments (not included in note III-G) for each of the next five years and remaining years for the initial lease term are as follows: 2000 - \$40,950,711; 2001 - \$22,840,589; 2002 - \$71,027,936; 2003 - \$49,806,655; 2004 - \$49,693,969; and thereafter - \$232,676,959.

Other Contingencies: The General Fund has a contingent liability for the obligations of all other City funds should such funds be unable to generate sufficient funds to liquidate their liabilities. In particular, the Airport, Detroit Transportation Corporation, and Transportation funds have received varying levels of subsidy from the General Fund to fund operating requirements.

P – General Fund Risk Management: As discussed previously in Notes I-A and III-O, the City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. During fiscal 1995, the City issued \$100 million of Self-Insurance Bonds, and a portion of proceeds were used to reimburse the General Fund for all of its fiscal 1995 legal judgments and workers' compensation claim payments (\$41.0 million). Remaining funds will be used to cover liabilities to third parties for any loss or damages arising out of negligence, tort, contract or otherwise accruing payable by the City after July 1, 1994, and for which insurance coverage could be provided by a third-party insurer but for which the City has determined to self-insure. Insured among other covered losses are liabilities for workers' compensation and disability benefits. The City currently reports the risk management activities of non-Enterprise Funds in its General Fund. Risk management activities for the Enterprise Funds are recorded and reported separately in those funds. Claims expenditures and liabilities are reported in accordance with GASB No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* (as amended by GASB No. 17), when it is probable that an asset has been impaired or a liability has been incurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

At June 30, 1999, the amount of the above type liabilities was estimated at \$188.7 million, of which \$182.6 million was recorded in the General Long-Term Debt Obligations Account Group and \$6.1 million was recorded in the General Fund. This liability is the City's best estimate based on available information.

Changes in the reported liability since June 30, 1998 resulted from the following:

	(In Millions)	
	<u>June 30, 1999</u>	<u>June 30, 1998</u>
Balance at Beginning of Year.....	\$ 186.6	\$ 179.8
Current Year Claims and Changes in Estimates.....	32.9	65.2
Claims Payments.....	(30.8)	(57.9)
Balance at End of Year.....	<u>\$ 188.7</u>	<u>\$ 186.6</u>

As a result of the issuance of the Self-Insurance Bonds and the operations of the Self-Insurance Reserve Fund, at June 30, 1999 the General Fund has designated \$41.6 million for the purpose of funding the City's future claim liabilities. This amount is also designated for Risk Management Operations in the General Fund's Balance Sheet.

Q – Subsequent Events:

In October 1999, the Detroit Building Authority issued approximately \$30 million in Parking Revenue Bonds, the proceeds of which are to be used to finance the acquisition and construction of a new parking facility.

In November 1999, the City of Detroit issued approximately \$45 million of Unlimited Tax General Obligation Bonds. The bonds were issued to finance various capital projects of the City, including improvements to park, recreational and zoo facilities, economic development projects, and the Detroit Institute of Arts.

City of Detroit
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, Continued
June 30, 1999

Q – Subsequent Events, Continued:

In November 1999, the Water Fund issued approximately \$256 million in bonds, the proceeds of which are to be used to pay part of the cost of construction of certain additional repairs, extensions, and improvements to the Water System.

In November 1999, the City of Detroit entered into a five-year loan agreement for \$19,377,314 plus interest with GE Capital Public Finance Inc. for the acquisition of new Unisys computer equipment. The agreement bears a blended interest rate of 5.44% and annual debt service is approximately \$3.8 million.

In November 1999, the City of Detroit entered into a seven-year loan agreement for \$3,000,000 plus interest with GE Capital Public Finance Inc. for the acquisition of new firefighting equipment. The agreement bears an interest rate of 5 42% and annual debt service is approximately \$495,000.